




 ecclesiastical

Building a Movement for Good

Ecclesiastical Insurance Office plc
Annual Report & Accounts 2022

Proudly part of the BENEFACT GROUP 

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Building a
Movement
for Good

Giving thanks

June 8th 2022, was an unforgettable day. It was the day of our Thanksgiving Service at Westminster Abbey, held to mark our £100m giving milestone. It was an amazing day, celebrating a tremendous achievement – one only made possible with the help of some truly extraordinary people.

It was humbling to stand among many of these remarkable people at the service, a service held in the presence of His Royal Highness The Prince of Wales, now His Majesty King Charles III. Many of those who have benefited from our giving attended the service too – people whose lives have been transformed. And it's this transformational power, this desire to effect positive change, that lies at the heart of the Benefact Group.

Since 1887, our mission has been to transform the lives of those in need. Owned by a charity, the Benefact Trust, it's why we give all our available profits to charity. Of course, we can only keep giving with the help of our customers, brokers, colleagues, partners and people who take part in our Movement for Good Awards. And for that, I want to say an enormous thank you. You can learn more about the Awards on page 22.

Our Thanksgiving Service was our way of recognising your united efforts. Seeing so many people gathered to celebrate what we have achieved together, filled me not just with gratitude but with hope and indeed a belief that we can do even more. Together, we can keep building a Movement for Good.

Mark Hews
Group Chief Executive



Section One

Strategic Report

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The Strategic Report, Governance, Financial Statements and Other Information sections form the Ecclesiastical Insurance Office plc Annual Report and Accounts 2022. The Strategic Report contains information about the Group and how we run our businesses, our strategy, business model, key performance indicators, our approach to risk and the responsibilities we have to our people, communities and the planet.

The Strategic Report is only part of the Annual Report and Accounts which was approved by the Board of directors.

By order of the Board

Mark Hews
Group Chief Executive 16 March 2023

Ecclesiastical at a glance

Best Ethical Investment Provider

Voted by the Financial Adviser community at the Moneyfacts Life & Pensions Awards for 14 consecutive years (2009 – 2022) – EdenTree Investment Management

Proudly part of Benefact Group, a specialist financial services group that gives all its available profits to charity and good causes



98% +

UK overall customer satisfaction across all the sectors we measure*

*Based on FY 2022 results for Home New Business and Renewals – Ecclesiastical UK; Church Renewals; Ecclesiastical claims; Risk Management; EFAS



Rated best insurer by UK brokers in the charity, commercial heritage, education and faith sectors*

*15th consecutive year – 200 broker interviews (randomly selected from BIBA approved panel) carried out by FWD – 2022



Since 1994

Ansvar's Community Education Program has helped over 100 different charities and not for profit organisations supporting the education and life skill development needs of disadvantaged young Australians.

3rd largest corporate donor to charity

The Benefact Group, is already the UK's 3rd largest corporate donor* and it aims to be the largest

£4.8m

loss before tax (£79.2m profit before tax in previous year)



*DSC – The guide to UK Company Giving 2023-24

Movement for Good

Through our Movement for Good Awards – our biggest ever giving campaign – we gave over £1m to help a wide range of charitable causes



Trusted to protect over £300bn of property around the world

In Canada our Community Impact Grants supported projects that make a positive impact on the community



Leading insurer for the Anglican Church

in all our territories



Our specialist brokers provide tailored insurance products

particularly for customers in the high net worth, farming and rural estates, equine, animal trades, and specialist motor insurance sectors

A leading multi-faith insurer

Protecting churches, synagogues, mosques and Hindu, Sikh and Buddhist temples across our territories



£198m+

One of the UK's largest charitable donors. We are proud of our ambition to give more than £250m to good causes.

Since 2014 we have given over £198m in grants and donations



£558.6m

Gross written premium (£486.2m in previous year)

Our businesses

This Annual Report & Accounts is for Ecclesiastical Insurance Office plc which is sometimes abbreviated to EIO. The following terms are used throughout this report:

Terms	Definition
The 'Company', 'Parent' or 'Ecclesiastical'	Ecclesiastical Insurance Office plc (EIO)
The 'Ecclesiastical Insurance Office Group' or 'Group'	Ecclesiastical Insurance Office plc together with its subsidiaries
'Benefact Group', 'wider group' or 'Benefact Family'	Benefact Group plc, the parent company of Ecclesiastical Insurance Office plc, together with its subsidiaries
Benefact Trust	Benefact Trust Limited, the ultimate parent undertaking of Ecclesiastical Insurance Office plc

The Ecclesiastical Insurance Office Group is part of the wider Benefact Group which is organised into the divisions Specialist Insurance, Investment Management, and Broking and Advisory. All are underpinned by our specialist knowledge and a reputation for delivering an outstanding service to our customers.

A number of changes have recently been made within the Ecclesiastical Insurance Office Group and Benefact Group to better align our businesses across the three divisions and support our strategic objectives. On 30 December 2022, SEIB Insurance Brokers was disposed of to an associate of the Benefact Group, Lloyd & Whyte Group Limited. On 3 January 2023 the investment management business, EdenTree, and the financial advisory business Ecclesiastical Financial Advisory Services were transferred from the Ecclesiastical Insurance Office Group to the Benefact Group. Note 16 to the financial statements within this Annual Report & Accounts contains further information.

Following these changes, the Ecclesiastical Insurance Office Group now exclusively represents our Specialist Insurance division providing products to businesses, organisations and retail customers, both directly and through intermediaries. The Investment Management and Broking and Advisory divisions, included in the Benefact Group, along with the Specialist Insurance division in the Group, all primarily operate from the UK and their associated businesses are:

Specialist Insurance

Ecclesiastical UK / Ansvar UK / Ansvar Australia / Ecclesiastical Canada / Ecclesiastical Ireland / Ecclesiastical Life

Our award-winning insurance businesses offer insurance products and risk management services to customers in the faith, heritage, charity, education and real estate markets. We have particular expertise in valuing and protecting distinctive properties both old and new – from cathedrals to concert halls, schools to stately homes and iconic modern buildings to youth hostels.

Ecclesiastical Life provides long-term policies to support funeral planning products.

We also provide a discrete range of specialist products including household insurance for churches and congregations and fine art insurance to the high net worth market. Committed to being the most trusted and ethical specialist financial services group, we are proud that our UK home insurance has again been awarded the First Place Gold Ribbon in this year's independent Fairer Finance Customer Experience ratings, for the 16th consecutive time.

Investment Management¹

EdenTree Investment Management and EdenTree Asset Management (EdenTree)

With over 30 years of experience in responsible and sustainable investing, our investment management team manages and sells Environmental, Social and Governance investment products to institutional customers, including the charity and faith markets, and to retail customers through the advisory market. EdenTree also manages the majority of the Group's financial investments. This year, for the 14th consecutive year, EdenTree celebrated winning 'Best Ethical Investment Provider' at the Moneyfacts Investment Life & Pensions Awards.

Broking and Advisory¹

Ecclesiastical Financial Advisory Services (EFAS) / Ecclesiastical Planning Services Ltd (EPSL) / Lycetts Insurance Brokers (Lycetts) / Lycetts Financial Services

Our specialist brokers, Lycetts, provide tailored insurance products for customers, particularly those in the high net worth, farming and rural estates, equine, animal trades, and specialist motor insurance sectors.

EFAS and Lycetts Financial Services offer financial advice to businesses and individual customers including Church of England clergy. EPSL markets and administers prepayment funeral plans under the Perfect Choice brand.

¹ The businesses in these divisions are owned by the Benefact Group plc

Chair's Statement

Despite the challenging environment, 2022 was a year of celebration for Ecclesiastical Insurance. We marked the achievement of giving £100m to good causes over the past five years, with a Service of Thanksgiving at Westminster Abbey – an incredible moment in the Company's 136-year history that saw hundreds of beneficiaries and supporters, among them King Charles III, come together to celebrate our Movement for Good.

It also saw the successful launch of the Benefact brand, providing not just a new name for Ecclesiastical's parent Group and Trust, but a renewed sense of energy and focus on our purpose to contribute to the greater good of society. Speaking to customers and brokers over the past few months, it's clear the new name resonates and has landed well in our markets. It's a fantastic achievement that we should all be proud of.

Of course, 2022 also brought its challenges. The return to prosperity that many of us hoped for after the pandemic failed to materialise as economic and political events pushed us into a cost-of-living crisis, while the devastating war in Ukraine continues to take its toll on innocent lives. In these difficult times, our mission to help those most in need in society is more important than ever.

In response to both challenges, our charitable owner the Benefact Trust moved swiftly to support charities on the frontline.

In March it announced £1m of funding to give immediate and longer-term support to people fleeing the devastating conflict in Ukraine. In December, the Trust announced a £500,000 funding package to support charities working to keep people safe and warm this winter.

This giving is only possible thanks to the customers, brokers and colleagues that support Ecclesiastical Insurance Office Group, which gives all its available profits to charities and good causes. I'm pleased to say we granted £20m to Benefact Trust in 2022. Alongside this we gave £2.7m through our direct giving programmes in the UK, Ireland and Canada, helping thousands of charities to make a difference in their communities.

This combined giving brings us closer to our ambition of being the UK's biggest corporate donor with a cumulative target of giving £250m to good causes by the end of 2025.

Results

Despite the challenging economic conditions, our businesses performed well in 2022. We continued to attract and retain prestigious customers across all divisions, which helped to drive double-digit premium growth. We also reported an improved underwriting result, with a profit of £27.4m. We reported an overall loss before tax of £4.8m as our results were affected by investment losses, due to falls in global markets.

Achievements and reflections

I'm now in my fourth year as Chairman and I'm delighted with the progress we've made as a business. We've invested considerably over the past few years, from launching new brands for the General Insurance business and the Group, a new head office, and new systems and technology to improve the broker and customer experience. The launch of our new General Insurance system last year was a major milestone and an incredible achievement by everyone involved in the project.



'None of our achievements would be possible without the commitment of our colleagues and I want to thank them for all their efforts in 2022.'

I'm also pleased that we announced our climate commitments in spring last year, outlining our roadmap to achieve net zero by 2040. In my report last year, I talked about the importance of responding to the issues of sustainability and climate change and, as a responsible business, we are committed to making a positive environmental impact in the world. Much work has taken place over the past 12 months to understand our climate impact and identify the measures we need to take to reduce our carbon emissions. This has included training sessions for the Board, which have helped deepen our understanding of how we can do the right thing as a business.

None of our achievements would be possible without the commitment of our colleagues and I want to thank them for all their efforts in 2022. Our customer satisfaction and Net Promoter Scores remain high and the Group again achieved Best Companies two-star status, demonstrating outstanding employee engagement. It's always pleasing to see this commitment and effort is recognised by others and this was reflected in 18 awards last year including products, service quality, risk management, marketing and customer engagement.

I was fortunate to visit our offices in Australia and Ireland and spent time with our excellent teams, learning how they're working hard to improve our services to our brokers and customers.

Looking ahead

While some companies are retrenching in the face of economic difficulties, Ecclesiastical has set itself an ambitious target to double in size. The strategy announced last year provides a clear roadmap to achieve this stretching goal and I'm excited by the potential within the business to grow.

Across our businesses, we have identified new areas of growth, both in existing segments and in new ones, and we have the ambition and capacity to benefit from these opportunities.

This year will see continued investment in new systems to improve the customer and broker experience, and we will continue to invest in new technology to drive innovation and growth to enable yet more giving to charities and communities. In particular, we will continue to invest in our risk management offering so that we can help to protect our customers from new and emerging threats.

We will also continue to invest in our people as we seek to become a world-class employer. We want to build a workplace where everyone feels welcome and can realise their full potential, while helping to make a difference to the lives of our customers and communities.

Board activity

For the first time since I became Chairman, there have been no changes to the Board in the past 12 months. It is a genuine pleasure to work with such a talented group of individuals who bring a range of different experience and perspectives. I would like to thank all of them for their service over the past year.

The future

It is an immense privilege to be a part of a business with such a special purpose of contributing to the greater good of society. With the new strategy in place, I believe we are well positioned to grow our business so that we can give more to help those most in need.

David Henderson
Chair

'We want to build a workplace where everyone feels welcome and can realise their full potential, while helping to make a difference to the lives of our customers and communities.'

Chief Executive's Report

For over 135 years, Ecclesiastical has understood what matters most to our customers and communities.

Trusted to protect and preserve much of the nation's irreplaceable heritage and history, we're distinguished in the financial services industry by our specialist expertise, our caring approach and our unique charitable purpose. Unlike many other businesses, we prefer to measure success not in sales or profits but in the amount we give to communities to help transform lives for the better. Guided by this purpose, we are driven to grow the business, so that we may give even more to good causes.

Last year was a transformational year for our Ecclesiastical Group family. We launched a new brand, prepared for a new Group structure, new strategy, new governance framework, new systems, and strengthened our leadership.

In particular, our immediate owner, Ecclesiastical Insurance Group, became Benefact Group, and our ultimate parent, Allchurches Trust, became Benefact Trust.

The launch of the Benefact brand is a momentous occasion for our charity-owned Group and at the start of 2023 Benefact Group announced a simplified structure to build on this to help us realise our growth ambitions.

This new structure, which aligns our businesses to our three divisions – specialist expert Insurance, responsible and sustainable Investment Management and Broking & Advisory – provides the foundation for our family of businesses to grow even more, to give even more.

By simplifying and streamlining the Benefact Group structure, we have created dynamic, empowered businesses with clarity of focus, a compelling purpose, and the ideal operating environment for each of our new operating divisions to thrive. This is in stark contrast to some other business models where decision-making can be centralised, slow and prioritise profits ahead of customer's interests.

Ecclesiastical Insurance is now proudly part of the Benefact Group, a family of financial services businesses with a common goal to give all available profits to good causes. We are here to protect communities and transform lives.

Building a movement for good

A few years ago we set ourselves (and subsequently met) a stretching ambition to give £100m to charity.

This level of giving means that Benefact Group is now the third largest corporate donor to charity in the UK. An amazing achievement when you consider that there are over five million companies.

It means that our ultimate parent company, Benefact Trust, is now one of the biggest grant-making charities in the UK and is able to provide transformative funding to charities both in the UK and abroad as, for example, they did in response to the crisis in Ukraine. We thank the Trust enormously for the outstanding work they undertake.

Indeed, our combined giving has helped thousands of charities in recent years, changing countless lives and communities for the better. Many of those charities, along with His Majesty King Charles III, joined us at Westminster Abbey last summer for a Service of Thanksgiving to celebrate our £100m giving milestone. It was a proud moment for our business and, for me, a rare moment to reflect on our incredible progress.

Hearing moving testimonials about the life-changing work of the charities we support, and taking inspiration from the Parable of the Good Samaritan, we would like to go



'Ecclesiastical Insurance is now proudly part of the Benefact Group, a family of financial services businesses with a common goal to give all available profits to good causes. We are here to protect communities and transform lives.'

further and hold out a hand to many, many more.

We have therefore raised our ambition, and have set a new cumulative target to give £250m for good causes by the end of 2025.

Delivering for our customers

Our giving is only possible thanks to the support of our brokers, customers, investors, business partners, and the tremendous efforts of our colleagues. For generations, we have been trusted to protect many of the UK's iconic treasures, from palaces, castles and stately homes to cathedrals, churches and schools. Today we insure world-renowned buildings such as St Paul's Cathedral, the Royal Albert Hall, Chatsworth House and Westminster Abbey, the home of the coronation. We pride ourselves on our specialist expertise in our markets and our commitment to customer service.

As an insurance company, our goal is to protect our customers through our specialist risk management advice and insurance cover. But as a trusted expert committed to creating a movement for good, our dedication to our customers goes beyond that.

Many of our church and charity customers have seen their incomes fall due to the challenging economic climate and we recognise the difficulties they face. We have established resources to help these organisations raise much-needed funds and we invest significantly in our risk-management services to help customers reduce the risk of losses occurring. And if the worst happens, our expert claims team are always there for our customers when they need us most.

As the UK's leading insurer of Grade I listed buildings, we are passionate about protecting Britain's heritage. We know the key to protecting our built environment from climate change is adaptation and resilient repairs. However, the challenge for heritage buildings, compared to modern properties, is that adaptation can be more complicated to do sensitively. We are working to be at the forefront of this issue and collaborating with partners like English Heritage to research and understand this important issue better. The threat of climate change is one of the biggest challenges facing our customers and communities. We are committed to making a positive environmental impact and we recognise the importance of reducing our own climate impact as well as supporting our customers to reduce theirs. Last year we announced our climate commitments to achieve net zero by 2040 and we are making good progress against our targets, which are detailed in our Responsible Business Report.

Providing exceptional service

Our customers tell us that our expert service and our compassion makes us stand out in the insurance industry. In the UK, Ecclesiastical retained its top spot in the Fairer Finance Home Insurance league table for a record 16th time and remains the UK's most trusted home insurance provider. It was also named Risk Management Specialist Company of the Year – Large in the CIR Risk Management Awards. Ecclesiastical Canada was named one of Canada's Top Employers for Young people for the 10th consecutive year and won Excellence in Claims Service in the Insurance Business Canada Awards.

Also, for a second year, I'm delighted the independent research consultancy, Gracechurch, put Ecclesiastical ahead of all other insurers for claims service. In addition, an incredible 98% of customers are satisfied with the service they receive from Ecclesiastical, whether that is making a claim or experiencing our risk management service. The Net Promoter Score, which measures how likely a customer is to recommend a company's products and services, for Ecclesiastical Insurance puts us ahead of many well-known and respected brands.

Financial performance

Despite the challenging external environment, our businesses performed strongly in 2022. In general insurance we saw excellent premium growth of 15%, driven by new business wins, strong retention and inflationary pressures. In Investment Management we saw record gross inflows of over £1.2bn as we launched new funds; net inflows place us well inside the top 10 fastest growing asset managers in 2022.

Given our overall financial strength and excellent solvency position, we hold a significant portion of our investment portfolio in real assets such as property and infrastructure. While we expect this to lead to positive real returns over the long term, it can introduce some volatility into annual reported results.

With our long-term approach we look through and beyond this short-term volatility; however, it did mean that, in 2022, our strong operating performance was offset by fair value losses from our assets of around £94.1m on our investment portfolio, leading

to an overall Group loss before tax of £4.8m (2021: £79.2m profit). In addition to these fair value losses, the results include a total credit of £30m from a fair value gain on an equity investment and a credit arising from a change to our discounting accounting policy. More detail on these items is included within the Chief Financial Officer's Report.

The GI Underwriting result was a profit of £27.4m, a significant increase on the previous year of £8.8m, which was lower due to strengthening of PSA reserves. This gives a combined operating ratio of 91%, which compares favourably in the insurance market.

We were able to give a further £22.7m to charitable causes, including Benefact Trust, in 2022. This takes our cumulative giving to £198.2m against our £250m target.

We remain in a strong capital position and I'm pleased that our credit rating agencies affirmed our excellent and strong credit ratings in the second half of 2022. In line with normal business practice, we routinely review our rating agencies and we have now appointed Moody's to join AM Best as our two agencies for the next period.

Strategic ambitions

To paraphrase T.S. Eliot...
It is only when one tries to go too far, that one finds out how far it is possible to go.

Inspired by the impact of our giving on so many, we are extremely ambitious for the future. We have launched an exciting new strategy to invest, energise and grow our Group across all our divisions and all our territories. With a strengthened rate environment, tightened insurance

capacity and an increasing market focus on Environmental, Social and Governance (ESG) performance, the timing to push for growth has arguably never been better.

This year will see continued investment in new systems, helping to deliver even better service and value for our customers and brokers. We will pursue growth opportunities, both in our existing sectors and in new niches where we can leverage our specialist expertise. We will make significant investment in digital propositions, helping to build our distribution capability and reach, as we seek to find ways to meet our customers' changing needs. We will also continue to prioritise risk management innovation, exploring new ways to protect our customers from losses, particularly from the growing threat of climate change.

To achieve all of this we need to be at our best personally and professionally and we will continue to foster a culture where all our colleagues have the space to grow and perform to their full potential.

For a second year running, we were named an "Outstanding" company to work for by Best Companies following the results of our annual engagement survey. Our ambition is to become a world-class employer, attracting, retaining and developing the best talent in the industry by creating career opportunities for every colleague, no matter what their background.

On behalf of the Board and thousands of our beneficiaries, we say a heartfelt, sincere "thank you" to all our customers, business partners and dedicated colleagues for their exceptional support. I very much hope that they are inspired when they look back at

what has been achieved, and the positive impact that they have had. I certainly am.

Join our movement for good

With a new brand, a clear strategy for growth and a renewed sense of confidence, we go into 2023 energised and inspired to work together for our customers and society.

To those who are reading about Benefact Group for the first time, I invite you to join us, whether as a colleague, customer or business partner, and experience for yourself how it is possible to do business differently. There is no doubt that, together, we are creating something very special – a movement for good that touches and transforms lives in our homes, in our communities, in this country and abroad.

As we said when we filled Westminster Abbey in the presence of His Majesty King Charles III in June last year... "Individually we can all make a difference. Together, we can perform miracles."

By order of the Board

Mark Hews
Group Chief Executive

'We are committed to making a positive environmental impact and we recognise the importance of reducing our own climate impact as well as supporting our customers to reduce theirs.'



Dumfries House Cumnock, Scotland

One of Britain's most beautiful stately homes, Dumfries House in Scotland was saved in 2007 by the intervention of His Royal Highness The Prince of Wales, Duke of Rothesay, now His Majesty King Charles III. Today, it's a popular tourist attraction open to the public, a wedding and events venue and a five-star country guest house.

It is also the home of The Prince's Foundation, which runs a diverse programme of education and training for all ages and backgrounds, and regenerates and cares for places where communities can thrive and which visitors can enjoy.

We are proud to insure this important historic building – whose broad diversity of risks demonstrates our specialist expertise. We are proud too to support The Prince's Foundation's vision of creating communities for a more sustainable world.

Our business model and strategy

Benefact Group, our parent company, is a diverse family of specialist financial services businesses, driven by our shared ambition to do right by our customers and clients, and united by a common purpose to give all available profits to charity and good causes.

Being owned by a charity – Benefact Trust – places good intentions at the foundations of our Group. Benefact aims to be a ‘different kind of business’, prioritising trust, ethics and philanthropic donations over the acquisition of higher profits.

Benefact Group is organised on a divisional basis; Ecclesiastical Insurance Office plc is part of the General Insurance division, alongside divisions for Investment Management, Broking and Advisory and Shared Services.

Recent changes have been made to the legal entity structure to optimise the composition and alignment of these divisions and enable greater connectivity of the ambitions across the Group.

The Benefact Group’s overarching strategy encompasses all divisions and businesses to ensure alignment and strategic focus. Whether in specialist insurance, investment management, broking or advisory, every business in the Benefact family is a specialist in their respective field, built on genuine insight and ethics. Together we offer products and services that help protect in the present, pre-empt the possible and invest in a healthier financial future.

This is illustrated by three strategic aims:



The most trusted specialist insurer

Our aim is to be the most trusted specialist insurer, offering unrivalled expertise and knowledge in our core markets, with appealing customer propositions and an excellent claims service that meet the concerns and needs of our customers and business partners.



The most trusted specialist adviser

We aim to be the most trusted specialist adviser in our chosen markets, delivering excellent service with long-term sustainable relationships with clients and insurer partners. Providing our customers with the best independent and impartial insurance or financial advice in order to meet their needs.



The best ethical investment provider

We aim to be the best ethical investment provider and thought leader on socially responsible investment, building on industry-leading reputation and a consistent, proven approach to deliver long-term investment success. Building on an impressive track record, we will continue to enhance our proposition and our ethical credentials, leading the debate on the ethical investment issues that matter to our customers.

Our charitable purpose drives our strategic goal of being the most trusted and ethical business in our chosen markets. It shapes the way we do business, particularly our focus on doing the right thing for our customers and business partners. It creates an environment where sustainable, long-term value generation is prized over short-term results.

Thanks to our long-term approach, we have built long-standing relationships with our customers and brokers, as demonstrated by their high levels of trust, loyalty and engagement with our business. These enduring relationships have helped us build deep understanding and expertise within our sectors, allowing us to provide highly valued products and services.

These factors combine to support our drive to deliver sustainable and growing returns over the long term, creating long-term value for our charitable owner and demonstrating that a distinctly ethical, specialist financial services group can succeed in competitive markets.

‘Benefact aims to be a “different kind of business”, prioritising trust, ethics and philanthropic donations over the acquisition of higher profits.’

Strategy in action

Introduction

Ecclesiastical Insurance Office plc is a member of Benefact Group, a diverse family of specialist financial services businesses.

Benefact Group is driven by a shared ambition to do right by our customers and clients, and united by a common purpose to give all available profits to charity and good causes. The Group's charitable purpose drives our strategic goal of being the most trusted and ethical business in our chosen markets. It shapes the way we do business, particularly our focus on doing the right thing for our customers and business partners. It creates an environment where sustainable, long-term value generation is prized over short-term results.

The Group is delighted to continue to make significant contributions to good causes with a further £20m grant to its charitable owner, Benefact Trust in 2022. This accomplishment has been made possible through the significant efforts of all the businesses across Benefact Group, which have focused on meeting the needs of their customers, clients and business partners.

The Benefact Group's overarching strategy encompasses all divisions and businesses to ensure alignment and strategic focus. This strategy demonstrates our ambitions for the future, responding to global trends and the external market context, building on our distinctive position in our chosen markets and our intent to have a positive impact on all communities that are important to us. Throughout 2022, we continued to progress the key elements of this ambitious strategy, delivering value to our customers and enabling further investment in the Group and its businesses. These are some of the highlights of our strategy:

Striving to be the most trusted and ethical business in our chosen markets



Delivered valued and trusted approach across the diverse family of specialist financial services businesses, driven by our shared ambition to do right by our customers and clients

Continued to attract and retain prestigious customers across all divisions of the Group

High levels of retention and customer advocacy across all divisions of the Group with strong satisfaction and excellent Net Promoter Scores

External recognition for this distinctive approach with 18 awards including products, service quality, risk management, marketing and customer engagement

Helped charity and church communities to raise funds with tailored fundraising support in the UK, Ireland and Canada

Seeking to be the most trusted specialist insurer, operating with the highest ethical standards

- Demonstrated strong business growth, launched new Art & Private Client product and several new schemes to support customer needs
- Reflected needs of customers by providing specialist risk management advice on diverse topics including temporary accommodation for refugees, flood safety, and church tower tours
- Offered targeted support for broker partners with wellbeing and mental health guidance, and the 'Covered in 15' podcast addressing key issues

Striving to be the most trusted and ethical business in our chosen markets



Seeking to be the best ethical investment provider, building on industry-leading reputation and consistent, proven approach to deliver long-term investment success

- Demonstrated strong business growth, attracting record levels of money inflows against a worldwide context of market volatility
- Broadened investment waterfront with the launch of three new investment funds and embedding of new adviser relationships
- Provided an expert voice including responsible investment insights including water and rivers, modern slavery, and the Just Transition

Seeking to be the most trusted specialist adviser, providing excellent service with long-term sustainable relationships with clients and insurer partners

- Ecclesiastical Planning Services* achieved regulated status and onboarded 80,000 new customers
- The Church of England Pensions Board awarded its first-ever partnership to Ecclesiastical Financial Advisory Services*

* Part of the Benefact Group plc

Developing the Benefact Group and its businesses



Successfully launched the new Benefact Group brand, reflecting the Group's distinctive positioning and uniting its businesses under a common purpose

Continuing to grow the Broking and Advisory division with acquisitions of broking businesses that complement existing specialist expertise

Launched first phase of new administration platform and completed migration of church policies and associated claims handling

Successful implementation of product governance, fair value and pricing practice framework aligned with new FCA Regulations

Made significant progress towards forthcoming regulatory changes including new IFRS 17 financial accounting standards and Consumer Duty requirements

Revised and implemented new investment strategy to deliver future improvements and potential for increased value to the Group

Optimised composition of the Group's divisions to streamline decision-making and enable greater alignment of growth ambitions

Produced carbon footprint for direct emissions and shared commitments to achieve net zero ambitions

Developing a world-class team



Continued strengthening of employee satisfaction with B-Heard 'Outstanding' accreditation against external context of deteriorating employee happiness

Six prestigious awards won by Group employees including Elite Women (Canada and UK), CII Distinguished Service Award, Most Inspiring Returner, Unsung Hero and Meritorious Service Medal (HM the Queen's Birthday Honours)

New values and performance management process launched across the Group, creating greater alignment across the Benefact family of businesses

Implemented new Benefact family programme to capitalise on emerging talent and enhance talent acquisition and tracking

Implemented an integrated approach to diversity and inclusion including awareness raising campaign and creation of an inclusion network across the Group

Delivered a single consistent platform to share resources while providing bespoke learning spaces for each business to inform development, talent and succession planning

Responded to the global cost of living crisis with financial wellbeing awards offered to employees in greatest need

Relaunched employee-led giving, creating multiple opportunities for employees to give to charity including individual personal grants, volunteering and matched funding

Continuing to be recognised for excellence



Ecclesiastical Canada

- 5-Star award for property insurance, Insurance Business Canada
- Canada Top Employer for Young People (10th consecutive year)
- Greater Toronto Top Employer (4th consecutive year)
- Excellence in Claims Service, Insurance Business Canada

Ecclesiastical UK

- #1 for Home Insurance, Fairer Finance (16th consecutive time, over 8 years)
- Continued to be the 'Most Trusted' with the 'Happiest Customers', Fairer Finance
- Risk Management Specialist Company of the Year (Large), CIR Risk Management
- Best Home Insurance Provider, The Times Money Mentor Awards

EdenTree Investment Management

- Best Ethical Investment Provider, Moneyfacts Awards (14th consecutive year)
- Best Multi-Asset ESG fund (for Responsible & Sustainable Managed Income fund), ESG Clarity
- ESG Advocate (Asset Management), Portfolio Adviser Wealth Management

Ecclesiastical Financial Advisory Services

- Local Hero Mortgage Awards – South West & Wales, NatWest Intermediary

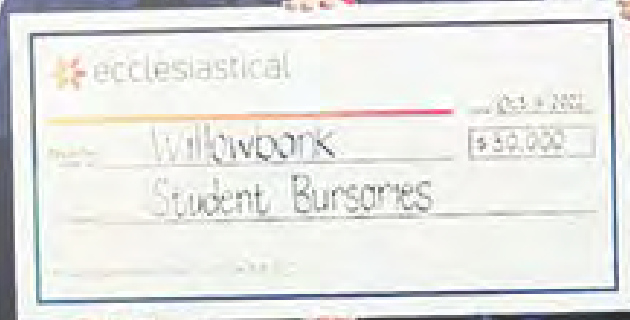
SEIB Insurance Brokers

- Marketing & Customer Engagement Award, Insurance Age Broker Awards

The Group's people continue to be recognised for their excellence:

- Distinguished Service Award, CII/PFS Awards (Ecclesiastical UK)
- Elite Women 2022, Insurance Business magazine Canada (Ecclesiastical Canada)
- Elite Women 2022, Insurance Business magazine UK (Shared Services)
- Meritorious Service Medal, HM the Queen's Birthday Honours (Ecclesiastical UK)
- Most Inspiring Returner, Women in Financial Advice Awards (EdenTree)
- Unsung Hero of the Year Award, Insurance Post Claims and Fraud Awards (Ecclesiastical UK)

Proudly supported by the BENEFACE GROUP



Willowbank School of Restoration Arts Ontario, Canada

Located near Niagara-on-the-Lake, Ontario, Willowbank School of Restoration Arts is Canada's premier heritage conservation school. Its unique three-year diploma programme combines theory with hands-on learning and provides students with a valuable professional network.

As part of our continued commitment to supporting heritage conservation, we're donating CAN\$30,000 for second-year student bursaries over three years (2023-2025). In doing so, we're supporting students, who may otherwise have struggled financially, to focus entirely on their education, immerse themselves in an experiential curriculum and develop the skills and knowledge required to help conserve our built and cultural heritage.

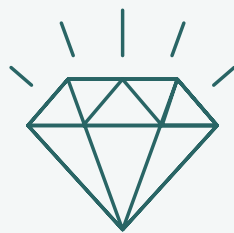
As specialist insurers we understand the importance of heritage conservation and sustainability and we're proud to contribute to the learning of our country's next generation of heritage conservationists.

Responsible Business Report highlights

Socially positive

£22.7m

from the Group overall; £2.7m to charity direct



Outstanding employer

awarded a 2 star rating, demonstrating outstanding levels of employee engagement – judged by Best Companies



Award-winning

across the Group including Best Ethical Investment Provider for 14 consecutive years

98%

of colleagues feel that the Company supports mental health at work

Top 3

Corporate Giver – according to the Directory of Social Change 2023/24 Guide to UK Company Giving

>400,000

nominations for charities in the 2022 Movement for Good Awards



Environmentally positive

>£200,000

Nearly £250,000 of charitable funding for climate-related projects

92,631 kWh of energy self-generated, equivalent to 18 tonnes of carbon

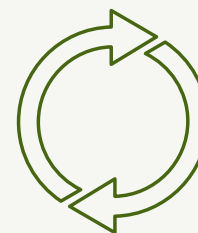
1,291 tonnes



carbon footprint; or 0.61 tonnes – carbon intensity per employee

82.95% lower

Group equity investment footprint: 18.09 tCO₂e/£m invested – 82.95% lower than the benchmark



Net Zero

commitment by 2023 for direct impact, 2040 for the Group

ClimateWise member of voluntary industry initiative

Socially positive

Charitable giving

The Benefact Group is a unique family of financial services businesses committed to giving to good causes. Benefact Group is proud to be a top company donor, ranked third in the Directory of Social Change's Guide to UK Company Giving. The following table summarises giving across the 'Benefact Group' which includes Ecclesiastical Insurance Office plc, its subsidiaries and the subsidiaries of the Benefact Group. This table also summarises giving from the Benefact Trust, the ultimate parent undertaking of Ecclesiastical Insurance Office plc.

Introduction

This Responsible Business Report is a summary of positive social and environmental impact. It covers social impact including approach to diversity and inclusion, colleague wellbeing and charitable giving. It also summarises climate impact through reporting in line with the Taskforce on Climate-related Financial Disclosures (TCFD).

A reminder about our Group and the legal entities referred to within this Responsible Business Report.

In this report, the 'Group' refers to Ecclesiastical Insurance Office plc together with its subsidiaries. The 'Benefact Group' and 'wider group' refers to Benefact Group plc, the immediate parent company of Ecclesiastical Insurance Office plc, together with its subsidiaries. The 'Benefact Trust' and 'the Trust' refers to Benefact Trust Limited, the ultimate parent undertaking of Ecclesiastical Insurance Office plc.

Giving via	Benefact Trust – ambition to be one of the UK's most impactful Christian grant-making charities	Benefact Group – Group-led giving programmes designed to achieve maximum reach and impact	Businesses – giving led by subsidiary businesses of the Benefact Group focused on customers and communities	Colleagues – enabling Benefact Group colleagues to give to causes they care about and doubling their efforts
Highlights	<ul style="list-style-type: none"> • Benefact Trust awarded over £22m in grants during 2022 • New crisis response grants programmes were awarded – £1m to assist Ukrainian refugees and £500k to help those in need due to the cost-of-living crisis 	<ul style="list-style-type: none"> • Our £1m+ Movement for Good continues to give through small donations and large grants • It generated over 420,000 nominations for charities – the highest ever • Hundreds of charities benefited from £1k donations • £500k in large grants • £200k+ to climate/environmental projects • Continuing partnership with The Prince's Foundation • 1,700+ attendees of free fundraising webinars 	<p>Key business giving initiatives included:</p> <ul style="list-style-type: none"> • £80,000 to charities UK insurance brokers care about • Ecclesiastical Canada's Community Impact Programme selected 50 charities to mark their 50th anniversary • EdenTree's community fund is in its fifth year • Lycetts held an inaugural fundraising ball to support the British Eventing Support Trust 	<ul style="list-style-type: none"> • Over £500,000 given in total • Highest-ever level of employee fundraising – over £140,000 • Retained gold payroll giving standard and grew number of givers • 500+ volunteering days • £250,000+ in £100+ personal grants to colleagues' charities of choice • Triple matching of donations to charities supporting in Ukraine

Giving via	Benefact Trust – ambition to be one of the UK's most impactful Christian grant-making charities	Benefact Group – Group-led giving programmes designed to achieve maximum reach and impact	Businesses – giving led by subsidiary businesses of the Benefact Group focused on customers and communities	Colleagues – enabling Benefact Group colleagues to give to causes they care about and doubling their efforts
Commentary	<p>The Group's distinct ownership model means it can continue to give all its available profits to Benefact Trust as its charitable owner. In 2022 the Trust continued to distribute grants through a number of programmes supporting church organisations and Christian charities.</p> <p>In 2022 the Trust continued its ambition to address urgent social issues. Its Brighter Lives programme helped charities address mental health and wellbeing in the church and wider community. It responded to the Ukraine Crisis with a £1m fund distributed through key partners including the British Red Cross and Depaul International. Late in 2022 the Trust also launched a £500k fund to help people struggling with the cost-of-living crisis, working with charities including the Trussell Trust and Warm Welcome Campaign. Funding was also given for roof alarms to protect churches against metal theft and for the preservation of heritage skills such as stonemasonry, for example.</p>	<p>Movement for Good is the Group's biggest giving initiative and continues to deliver huge breadth of reach and depth of impact. Small donations reach a diversity of predominantly small charities for whom £1k can make a massive difference. Large grants benefit causes close to customers and communities. Projects supported the rural community, schools and heritage properties. In 2022 we also targeted charities tackling environmental and climate issues, giving more than £200k to support our ambition to have a positive environmental impact.</p> <p>But our support doesn't stop there – we continue to develop the range of services and support we give to charities including free fundraising webinars which were attended by more than 1,700 charities.</p>	<p>The Benefact Group is a growing family of specialist financial services businesses each proud of how close it is to customers and communities. Business giving programmes give the opportunity to target charities we really care about.</p> <p>For example, our Closer to You broker programme gives brokers working with Ecclesiastical UK the chance to choose charities they care about. Our specialist investment business EdenTree continues to support causes aligned with our positive investment themes. Brokers SEIB and Lycetts are totally connected to their communities, funding equine charities such as World Horse Welfare and rural charities such as the County Trust. Our Irish business provides a wide range of support to Jigsaw, the national centre for youth mental health. In Australia the Community Education Programme continues to equip Australians under the age of 25 with the tools to achieve a higher quality of life. Ansvar UK launched funds to promote healthy lifestyles to children and young adults.</p>	<p>Giving our people the opportunity to support causes they care about continues to be the foundation of our giving approach. In 2022 we relaunched our employee giving scheme 'MyGiving' in our new Group brand. We continue to offer employees small grants to give to any cause they care about, flexible volunteering time and 100% matching of fundraising and payroll giving.</p> <p>In 2022 our people raised more for good causes than ever before, supporting charities with vital funds. Our biggest fundraisers generated tens of thousands for charities including Derian House Children's Hospice, Prostate Cancer and the World Land Trust. We launched a special triple matching opportunity for Ukraine charities. Volunteering projects were widespread and diverse including setting up hygiene banks and river cleans.</p>
Further info	Visit www.benefacttrust.com	Visit www.movementforgood.com	See Group company websites	

Employees

In 2022 the Benefact brand was launched which brought the wider Group together. It recognises the individual strengths of our businesses while making them stronger together, united by a common purpose. A new values, culture and behaviour model was rolled out and the historic change was celebrated with a range of events and communications.

Engagement and wellbeing

Post-pandemic and in a new world of flexible work, the mental health and wellbeing of employees continued to be a top priority. A 'healthy working check-in' survey was launched in 2022 to understand and support how well everyone was working. It generated over 900 responses with 98% feeling that mental health at work is well supported. Wellbeing resources continued to be bolstered, in particular with several webinars attended by colleagues from the UK and overseas. Given the potential impacts of the cost of living crisis a range of advice and support for employees was provided should they need it.

Fantastic workplaces to encourage employees to benefit from being together continue to be critical. The newly built and sustainable Gloucester head office was used for an increasing number of meetings and team activities as well as external events welcoming brokers, customers and the community.

This commitment to creating an outstanding employee experience was reflected in the externally assured B-Heard engagement results which improved and retained '2 star,

outstanding' status. This was a particularly impressive achievement set against a challenging external environment with rising living costs and the uncertainty brought by several years of pandemic and the situation in Ukraine. Views on the strength of values and purpose, making a positive difference in the world and customer trust scored highest against benchmarks.

Diversity and inclusion

Diversity and inclusion was supported with a new campaign 'We all belong' which recognises the broad range of backgrounds, abilities, perspectives, beliefs and interests people bring. A diversity and inclusion working group met to discuss topics including menopause and disability and to promote awareness. Internal reporting of sensitive data was improved; diversity was considered in strategic talent, recruitment practices and behavioural competencies; and a range of external initiatives were supported including Women in Finance and the Association of British Insurers' talent and diversity network and Making Flexible Work campaign.

Investment business EdenTree welcomed three interns as part of the 10,000 black interns initiative, and charities Blind in Business and Read Easy were welcomed into our offices to raise awareness of disability and literacy. Funding for the Black Swimming Association, Breaking Barriers and The Circle of Women supported charities fighting for a range of causes including fair pay for workers in the global fashion industry and access to swimming for people of African, Caribbean and Asian heritage.

Key employee statistics

Gender by level 2022

	Male No.	Female No.	Total No.
Group Management Board	6	2	8
Senior Leader	51	30	81
Manager	231	160	391
Team Member	394	484	878
Grand Total	682	676	1358

Gender pay gap

	2022	2021
Fixed pay gap mean/median	25.2/19.1	27.7/20.4
Bonus pay gap mean/median	43.7/26.4	51.2/32.9

The gender pay gap is calculated as the difference between average hourly earnings (excluding overtime) of men and women as a proportion of men's average hourly earnings (excluding overtime). The table above shows median and mean gender pay gap for fixed pay and bonuses paid to men and women, in relation to the 2022 performance year. For more detail see our annual Gender Pay Gap Report available on our website.

Ethnicity 2022

White No.	Prefer not to say No.	BME No.
964	331	63

Leadership and development

We ensured employees completed regulatory training, committed to our Code of Conduct and supported a large number of colleagues to successfully complete qualification programmes. Our UKGI Corporate Chartered Status with the Chartered Insurance Institute was renewed. We continued to support leaders to develop their skills and confidence with our in-house programme alongside Windsor Leadership Trust and UK Business School programmes. We ran more than 100 virtual learning sessions for colleagues across the UK and Ireland and launched our Learning Management System into our broking division and our Canadian general insurance businesses, providing access to a wide range of learning to even more of our colleagues. We launched a performance management process and a pilot of our Benefact Emerging Talent Programme, providing a year-long programme of experiential learning for colleagues who have shown the potential to be leaders in the future.

Customers and partners

The launch of the Benefact Group and Trust brands and achievement of giving £100m to good causes prompted an historic celebration in 2022. These momentous achievements were celebrated with everyone who had been a part of that journey – colleagues, customers, partners, supporters, charities and their beneficiaries. Over 2,000 people attended the event in Westminster Abbey, including His Majesty King Charles III.

Supporting customers and partners

Growth and success is credited to a commitment to doing the right thing and building strong relationships over many years with customers and a range of partners. Advice and support for charities which enables them to be more successful and sustainable included free webinars covering topics such as social media, legacies, events and funding applications for core costs and capital projects. They were attended by over 1,700 charities, 96% of whom would recommend them. We supported trustee recruitment through a partnership with charity Getting on Board, and published articles and reports including insights on corporate partnerships.

Understanding customers' concerns is a focus in every part of the Benefact Group. Regular customer research and insight programmes on topics such as climate awareness and risk management enabled our businesses to build their expert advice and support.

To deliver on our promise to do the right thing we're relying on our employees and suppliers sharing this commitment. We recognise the social impact and influence our business can have on the partners and suppliers we work with. To ensure we uphold the highest standards regarding human rights, anti-corruption and anti-bribery we have a range of measures including robust risk management, employee Code of Conduct and employee regulatory training on topics such as data protection and whistleblowing. One hundred per cent of our people complete an annual

Code of Conduct attestation. We continue to submit our Modern Slavery Act declaration and we reported a continuing improvement in the number of suppliers paid within 30 days to 75% under the Payment Practices and Performance Reporting (2021: 74%).

Awards and recognition

Winning awards is one thing but winning consistently underlines sustained high standards. Ecclesiastical's UK home insurance has topped the Fairer Finance table 16 times, achieving top position in every aspect they assess: trust, customer happiness, complaint handling and transparency. EdenTree has won the Moneyfacts Investment Life and Pensions Best Ethical Investment Award for the 14th successive year. Ecclesiastical Canada won a slew of awards: Toronto's Top Employer for the 4th consecutive year; Top Employer for Young People for the 10th consecutive year; plus, recognition for claims excellence and property insurance. Brokers SEIB won the Marketing and Customer Engagement Award at the Insurance Age Broker Awards 2022. This recognised their work with leading vet and Chair of The Showing Council and British Horse Foundation, Dr Jane Nixon, to research the future of horse-riding. Ecclesiastical's financial advice business was also successful in the 'local hero' mortgage awards, organised by NatWest for firms who have gone beyond everyday expectations to put the customer and local community at the heart of their firm.



Ecclesiastical UK home insurance

- Fairer Finance Award
– 16th consecutive year

EdenTree

- Moneyfacts Investment Life and Pensions Best Ethical Investment Award – 14th consecutive year

Ecclesiastical Canada


- Toronto's Top Employer
– 4th consecutive year
- Top Employer for Young People
– 10th consecutive year

SEIB

- Insurance Age Broker Award for Marketing and Customer Engagement

Ecclesiastical's Financial Advice business

- NatWest Local Hero Mortgage Award

Proudly supported by the BENEFACT GROUP 



Sports Driving Unlimited

Sports Driving Unlimited gives people of all ages with a disability a unique chance to learn the challenging sport of pony carriage driving. A wonderful confidence-builder, pony carriage driving provides a great sense of achievement – especially valuable for those who struggle to do other sports. Thanks to the money from the Movement for Good Awards, more people with disabilities will be empowered by this exhilarating experience.

Forever Angels

Forever Angels provides life-saving nutrition to orphaned, abandoned and vulnerable babies in Tanzania, while empowering their caregivers through business creation. As a winner of the 2023 Movement for Good Awards the charity can continue with their vital work, saving little lives and helping to keep families together.

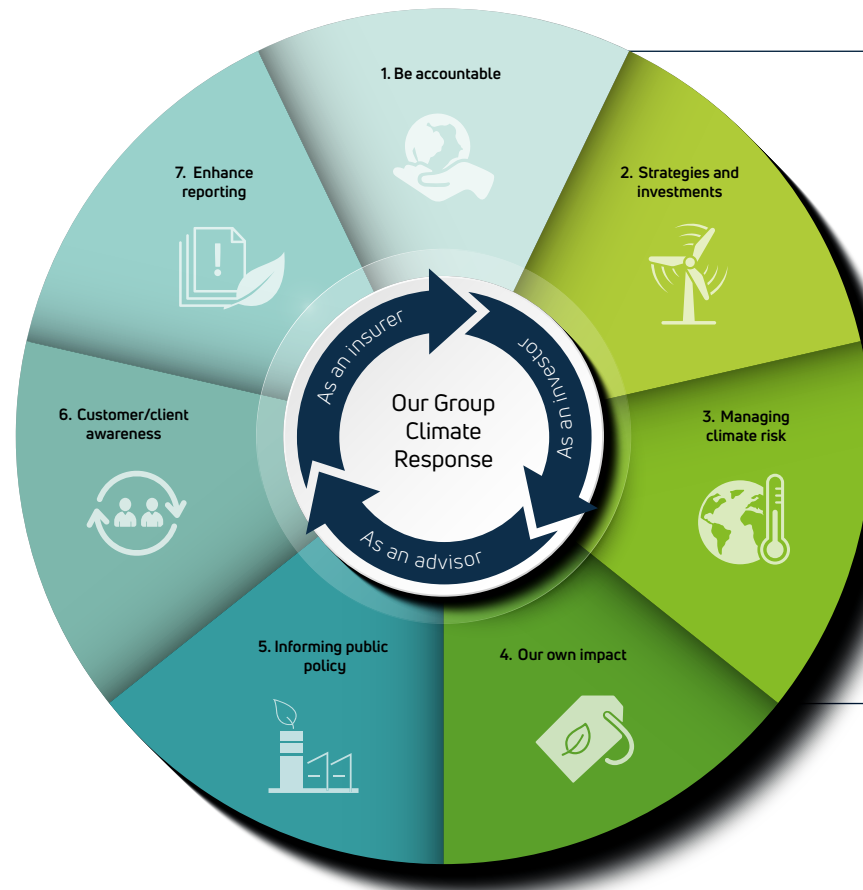
SCOTLAND: The Big Picture

SCOTLAND: The Big Picture works to drive the recovery of nature across Scotland through rewilding, in response to the growing climate and biodiversity crises. Their vision is to create a vast network of rewilded land and water, where wildlife flourishes and people thrive. The Movement for Good award provides a welcome financial boost, helping them continue with their rewilding projects and activities.

Environmentally positive

Governance

Climate risk has strong governance and oversight and is subject to effective and robust controls. The Benefact Group is a member of ClimateWise, a voluntary initiative to drive climate responsibility and action. Climate strategy is centred around the ClimateWise framework which is aligned to Taskforce on Climate-related Financial Disclosure (TCFD) principles



ClimateWise and TCFD principles

TCFD: Disclose the organisation's governance around climate-related risks and opportunities

See the **Governance** section

TCFD: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

See the **Strategy** section

TCFD: Disclose how the organisation identifies, assesses and manages climate-related risks

See the **Risk** section

TCFD: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

See the **Metrics and Targets** section

How the Board oversees climate response

The Board has overarching responsibility for strategy and risk. Due to the cross-cutting nature of climate risk (as identified by our enterprise-wide Risk Management Framework) the Board has delegated responsibility for oversight of climate risk to the Group Risk Committee (GRC). Responsibility for overseeing these risks (primarily physical and transition) is delegated to the most appropriate Board Committees. Climate strategy and progress has designated responsibility with a named Group Management Board member and Non-Executive Director.

Supporting Boards and Committees

The Board and GRC are supported by functions including investment, risk, underwriting and capital management to embed commitment to:

- Achieve net zero for direct impacts in 2023
- Be Net Negative for direct impacts by 2025
- Wipe out historic impact (Scopes 1 and 2) by 2030
- Become a net zero company by 2040
- Manage the risks that are faced by the Group.

The following table demonstrates governance in action:

Governance forum	Examples of climate topics discussed/decisions made
Group Board	Training on net zero and offsetting with a third party, presentation from English Heritage on their climate strategy to understand a key customer's perspective Briefing on ClimateWise framework and performance
Group Audit Committee	Training on TCFD reporting and update on Group position
Group Risk Committee	Reviewed and approved Climate Risk Appetite, Climate Risk Taxonomy
Group Management Board	Discussed and approved Group offsetting strategy
Climate Strategy Group	Comprising senior representatives from across business functions, this group developed and delivered the Company sustainability strategy and targets
Business sustainability groups	Identified and delivered local initiatives, supported Company sustainability reporting
Impact team	This is the Group's responsible business team. Activities it led and delivered included ClimateWise and SECR reporting, company footprinting and facilitating Board training

Strategy

Insurers, investors and advisers have a responsibility to play a positive role in tackling, mitigating and seeking opportunity from climate change. Our current strategy runs to 2026 and 'sustainability champion' is a key initiative within it, focusing on climate response and action.

Climate-related risks and opportunities

Climate change presents increasing levels of risk to our businesses and our customers. It is certain that change will occur. We know that warming will continue, with consequent changes to weather patterns, and that actions will be taken globally to seek to

mitigate and adapt. Risks will crystallise over a much longer-term horizon than typically seen for other risk exposures. While the greatest impacts of these risks are expected to materialise in the medium to long term, there will also be shorter-term implications and it is important that actions are taken now to mitigate and manage risks arising from climate change.

Opportunities

Opportunities to benefit from the effects of climate change include greater resource efficiency, using expertise to help customers and investing in areas that will profit from changes as we transition to a low carbon economy. Each of the Group's insurance businesses have a mature risk management capability to help their customers effectively

manage their risks. There is opportunity to incorporate the management of climate change risk within this service so helping existing customers and provide an added attraction for new customers.

Risks

Risk	Nature of risk	Examples of action to understand and mitigate impact on business, strategy and planning
Physical	Direct damage to assets both owned and insured and indirect impacts from supply chain disruption. They can be acute and event-driven or longer-term and therefore chronic. The Group's main physical risk exposures stem from its property underwriting portfolio and from its investment assets.	<ul style="list-style-type: none"> • In the UK and Ireland work is in progress, in conjunction with our reinsurance brokers, to use climate conditioned proprietary models to assess the exposures to increased levels of UK and Ireland flood risk over medium- to long-term periods. • In Canada, mapping of exposures against risk areas, and in the short term, action is being taken to manage the exposure to wood-framed buildings that are considered particularly vulnerable to perils such as wildfire. • The Group works with a leading Geographic Information System (GIS) provider to provide high-quality data to inform pricing, risk selection and strategy. A GIS partnership enables us to provide a tailored service to customers to assess individual risk to storm, flood and subsidence. • The Group assesses risks at a granular level, using models supplied by external vendors and those models include expert assessments of likely impact of current climate change on the risks over the following year. • Initial work is underway using the methodology developed by the Partnership for Carbon Accounting Financials (PCAF) to understand the carbon intensity of the Group's underwriting portfolios.

Risk	Nature of risk	Examples of action to understand and mitigate impact on business, strategy and planning
Transition	Relates to financial risks resulting from transitioning to a low carbon economy. They arise from two related transformations, namely in regulatory policy such as carbon taxes and technology and market disruption that will include innovation in renewable energy. Additional implications include the subsequent changes to consumer expectations, demand and behaviour as a result of these policy and technological transformations. The Group's main exposure to transition risks is on the value of its investment assets through the impact of changes to a low carbon economy on investee companies.	<ul style="list-style-type: none"> • The Group's Responsible and Sustainable Investment Policy excludes investment in fossil fuel exploration and production and thermal coal extraction, and eschews investment in high carbon emitters (automotive, aviation and heavy industry). • The Group's investment management business EdenTree employs a positive climate screen to challenge Environmental Social and Governance (ESG) performance in investee companies. They analyse the implications of climate-related issues, assessing investees' governance of climate risk, commitments to phase out any coal, oil and gas, use of renewable energy, emissions reduction targets and performance, and their decarbonisation strategies. • EdenTree applies a discretionary thematic strand, 'Striving for Positive Impact', that looks to invest in companies providing solutions that will enable the low carbon transition, as well as providing a compelling investment case. • Climate change features as a permanent pillar of EdenTree's engagement strategy, and they have supported various initiatives over the years. They have contributed for six consecutive years to the Carbon Disclosure Project non-disclosure campaign, asking more businesses to report on climate change, and have been actively encouraging companies to set Science Based Targets via in-house engagement and through ShareAction's Investor Decarbonisation Initiative. They supported the Paris Pledge for Action in 2015 and are a signatory to the Montreal Pledge and TCFD Framework. EdenTree also maintains a number of memberships including the UK Sustainable Investment and Finance Association, UN Principles for Responsible Investment and the Institutional Investors Group on Climate Change. • The Group's investment strategy also includes an allocation to infrastructure assets. These investments can not only generate attractive returns and offer diversification from other assets but also help enable the transition to a low carbon economy and help mitigate the impacts of climate change.
Liability	Stems from the potential for litigation if entities and boards do not adequately consider or respond to the impacts of climate change. This may include the potential breaching of Directors' duties. There are potential exposures through the Group's liability underwriting portfolio.	<ul style="list-style-type: none"> • Each territory has assessed its exposure to the potential for receiving future liability claims relating to climate-related litigation arising from customers' activities. The Group will continue to track potential for insured customers to be exposed to liability risks and the evolving legal environment.

Insurance risks by territory

Risk exposures vary by territory with respect to the types of perils and the outlook for the future. These have been assessed over the short term (up to 5 years) and medium (5 to 20 years) to long term (20+ years). Our strategic response focuses on these risks and their associated opportunities.

- In the **UK and Ireland**, the key risks are assessed as being from increased river flooding arising from changes in precipitation and coastal flooding/storm surge driven by increased sea levels. Also, more intense rainfall in short periods gives increased exposure to flash-flooding events, particularly in urban areas.
- **Australia** has experienced a significant and increasing number of weather events that could be attributed to climate change and it is expected that their frequency and severity will continue to develop, though it is recognised that short-term patterns are also heavily influenced by El Niño and La Niña conditions.
- **Canada** has also experienced a significant number of weather events in recent years including wildfires, floods and hurricanes. Although nearly all risk exposure is located in the southern part of the country – away from areas that are projected to experience the greatest change – the impact of changes in rainfall and increased heat is expected to have a material impact on the risks we insure.

How we determine material risks and opportunities

We use stress testing and scenario analysis as the key tool to assess principal risks, with the primary focus on our insurance underwriting businesses and as an asset owner. Scenarios have been used aligned to those defined in the Prudential Regulation Authority's (PRA) Climate Biennial Exploratory Scenario (CBES) which includes three scenarios exploring transition and physical risks, to different degrees. A Strategic and Emerging Risk Process that scans the external environment for future risks and developments relating to climate change are a key component of that process. As part of business planning and the strategy development process we assess the potential impacts of climate change. An assessment is cascaded down to businesses, and they make local assessments of how climate change will affect them, using their local knowledge. In fulfilling its mandate for the Group, EdenTree identifies both risks and opportunities arising from climate change and discusses these with key decision-makers for invested assets. As a Group, we leverage EdenTree's expertise and thought leadership.

Testing risks through scenarios

Insurance

- **Focusing on worst-case scenario:** assessment of insurance underwriting risk has focused on the worst-case scenario of the three CBES scenarios (the No Additional Action scenario) because this enables identification of the most extreme outcomes, therefore the greatest risks to the business, particularly over the medium to long term. The scenarios have been used primarily in a qualitative nature to identify the types of perils that are most likely to affect the current insured portfolio.
- **Considering socioeconomic impacts:** besides considering the direct impact of weather events, the economic and social impact on key customers were also considered, in this case also using the scenarios whereby Paris-aligned targets are met, to identify some of the issues they likely face in the various circumstances. This analysis is being used to inform customer propositions and how the Group might work with and support customers to manage and mitigate climate risk.

The process has been used to assess the Group's insurance footprint in various geographies, for example assessing wildfires in Canada, temperature rises in Australia and windstorm and flood in the UK. For example, in the UK a tool for flood and storm mapping, Mapview, is used to manage individual and accumulated local exposures.

Investment

- **Assessing beyond equities:** in 2022 an initial wider assessment of the risk and opportunities of climate change on the Group's assets (beyond equities) was completed. This looked at asset classes including strategic investments, property investments and gilts/corporate bonds. As our methodology develops, we will increase the scope of our carbon footprinting. A desktop carbon study of property investments has been commissioned. It uses a Real Estate Environmental Benchmark (REEB), an Energy Performance Certificate (EPC) schedule priority, physical and climate risk assessments, scope 1, 2 and 3 data completion and setting of carbon targets and decarbonisation plans.
- **Footprinting:** the footprinting tools used by the investment team enable the Group to view its investments from various perspectives. These include the portfolio emission pathway vs climate scenario budgets (and whether it is overshooting), the associated temperature increase, a transition climate risk analysis and a physical risk exposure based on the holdings (high, moderate, light risk). Based on current targets, the Group's equity investments are expected to be aligned with the Sustainable Development Scenario by 2050, representing a potential temperature increase of 1.5C by 2050 compared to 3.6C for the benchmark.

Tackling climate alongside suppliers, colleagues, communities and customers

Supply chain

Climate change will affect supply chains now and over the medium to long term.

As part of due diligence, evidence is collated of any potential business partners' resilience to climate change risks, and the actions they are taking to address their risks, besides their carbon footprints. The Group is a member of the financial services purchasing scheme which is designed to drive up standards in supply chains. Around 60% of the Group's most material suppliers are registered with this scheme and are required to complete an enhanced level of questioning on social and environmental impact. Part of the Group's downstream footprint is the property restoration work we fund through our claims. We require our restoration companies to be certified to ISO 14001.

Colleagues

Engaging our people is a key enabler of our climate strategy. In 2022 we:

- Launched and announced climate as central to our next chapter strategy at our leadership conference event with global leaders from all parts of the Benefact Group
- Held climate roadshows for all colleagues to help everyone understand more about our climate impact and opportunity as a Group
- Held management briefings on our direct impact to help teams understand what it comprises and what we can do about it

- Tailored team sessions – one example was a workshop session for our Actuarial & Reinsurance Team, involving presenters from within the team to explain our investment and reinsurance positions
- Through our benefits package we offer colleagues a personal carbon calculator to calculate and offset their emissions.

Colleague support for charities and communities through giving and volunteering is strong. A number of projects support charities tackling climate issues, for example our Compliance team helped to plant 130 trees for the Stroud Valleys Project. In 2022 the EdenTree team brought together its river health research, partnership with Olympic open water swimmer Alice Dearing and a river clean volunteering day. Building on our strong culture of charitable giving, to celebrate COP27, we focused on climate change and environmental charities through our charitable giving programme, Movement for Good.

Communities

The Group's unique ownership model enables it to give to good causes every year. Funding for transition charities, biodiversity projects and charities helping customers to reduce their impact has increased over recent years. In 2022 over £200,000 was given to climate-related charities including the InterClimate Network; Heal Rewilding; Trees for Cities and Earthwatch. These funds are supporting a wide range of positive environmental projects including biodiversity and rewilding and education programmes with future climate leaders in schools.

The Group will be investing in highly assured, transparent and charitable offsetting projects overseas providing carbon credits. This will invest in well-established climate projects which make both a positive environmental and social impact. Social impacts include improving local economies.

Customers

Working with customers across our insurance, investment and advisory businesses to help them better understand and tackle their climate risks is a key part of our climate strategy. In 2022 some examples of activity included:

- Commissioning and publishing research on a wide range of topics including broker attitudes to net zero, churches' readiness for climate change, the environmental performance of the water industry and just transition strategy in investments
- Producing guidance for key customers such as schools, covering topics including adaptation/transition, solar panels, battery storage and flooding
- Hosting webinars on topics including contemporary construction risks and climate reporting
- Working with expert partners to offer climate-related services including advice on installation of renewable energy systems and energy audits and monitoring
- Embedding climate change within our Enterprise Risk Management service, to help customers consider transition risks and opportunities
- Launching new products, namely three new EdenTree funds designed to benefit from the opportunities arising from the climate transition:

- A Green Future Fund, investing globally in companies which provide sustainable solutions to some of the world's environmental challenges
- A Global Impact Bond Fund that seeks to deliver measurable positive environmental and social impact alongside a regular level of income
- A Green Infrastructure Fund investing in environmental infrastructure solutions linked to the energy transition.

Risk

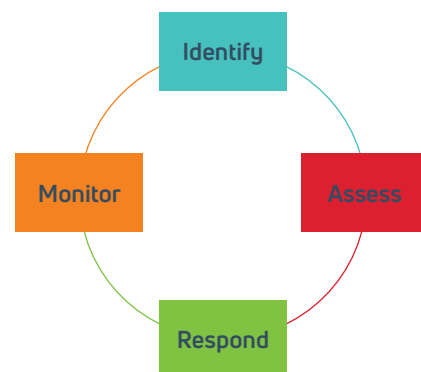
We accept the presence of climate risk in our property insurance underwriting portfolio and seek to manage our exposures by geographies. We have adopted a responsible and sustainable approach to investing that minimises exposure to both physical and transition risks and seeks opportunities that allow us to appropriately manage our investments in assets that will benefit from transition to a low carbon world. We actively seek to limit our exposure to counterparties with material climate risk exposures.

Risk Management Framework

The Group's Enterprise-Wide Risk Management Framework as illustrated in the Risk Management Report on page 45, provides the tools, guidance, policies, standards and defined responsibilities that enable us to achieve our strategy and objectives, while ensuring that individual and aggregated risks to our objectives are identified and managed on a consistent basis. Our Group Risk Register includes climate change as one of the key risk exposures of the Group. In 2022 our approach to the management of climate change risks was updated. The Group Risk Taxonomy was updated to reflect the cross-cutting nature of climate change acting as a driver for other risk exposures. A Preference Statement and Risk Appetite statements were also developed for specific elements of climate risk. Recognising the likely impacts on its customers, the Group seeks to support them to address these through our underwriting, claims management and risk management activities.

Risk Management Process

The risk management process is a structured, ongoing method by which the Group, each business unit and significant business areas identify and assess the significance of the risks that it faces in pursuit of its business objectives. Climate change risks are managed according to the four-step cyclical process as illustrated below:



Identifying climate risks

In addition to identifying climate change risk as a Level 1 risk-type in our Group Risk Taxonomy, under which sit the sub-risk types of physical risk, transition risk and litigation risk, we have mapped the potential impact of climate change on many of the other risk types that the Group is exposed to. The Group's emerging risk process includes keeping informed on evolving knowledge and developments in the management of climate change risk. At Group and business unit level we have undertaken exercises to identify the specific risks that climate change will bring to our ability to achieve objectives. Scenario analysis, including potential pathways and looking over a range of timescales, is a key tool employed for this stage.

Assessing climate risk

Having identified the climate risk exposures, the next step is to assess their potential impact. This entails gaining a deeper understanding of the nature and scale of the risks, and where possible seeking quantitative measures of the impact that the risks may have on the financial position of the Group under the different scenarios.

Responding to risks

For climate risks, the potential effects of identified risk exposures would emerge in the future, often over much longer timescales than typically for other risks. While impacts may emerge far into the

future, sooner actions are often necessary to mitigate the effects. This is why responses to climate change risks are often aimed at making the business more resilient to the future emergence of adverse conditions rather than addressing the immediate potential for loss. Responding to risks also involves identifying opportunities that might arise.

Monitoring and reporting risks

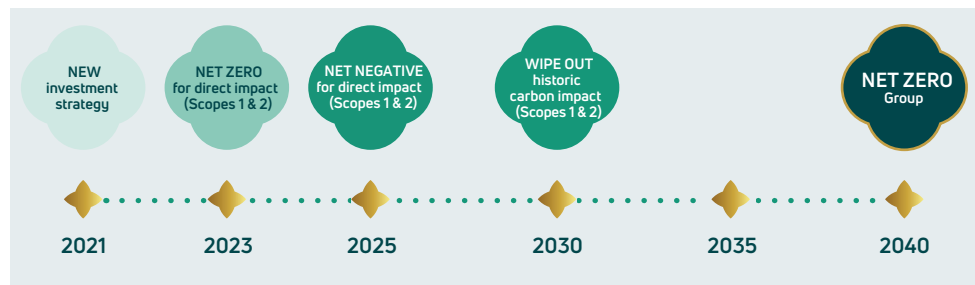
All business units are expected to define the governance mechanisms for managing their climate risks. These involve the relevant risk and/or management committees receiving information relating to climate change risk exposures and actions. This enables them to monitor key risk exposures, challenge and input into decision-making relating to risk assessments and responses, identify any risks that have not been recognised and carry out other monitoring responsibilities in line with their terms of reference.

Risk registers used at Group and business unit levels are not only used to capture, assess and respond to risk, but also to monitor and report. Business unit climate risk reporting is shared with the Group Risk Function which uses this and Group level information to report to the Group Risk Committee of the Board. This is done via the quarterly Chief Risk & Compliance Officer (CRO) Report which summarises the key risks across the Group.

Metrics and targets

Setting ambitions and targets is an important way to drive and assess climate progress. In 2022 the Benefact Group set out high-level climate commitments for the short and long term, monitored and set targets for direct emissions, footprinted investments and expanded measurement and understanding of Scope 3 emissions. Targets are integrated into remuneration practices.

Net zero targets



Direct emissions

Scope 1 and 2 footprint (plus Scope 3 business travel, waste and water) is reported and published here according to greenhouse gases (GHG) protocols, to Streamlined Energy and Carbon Reporting (SECR) standards.

- Scope 1: all direct GHG emissions
- Scope 2: indirect GHG emissions from consumption of purchased electricity, heat or steam
- Scope 3: other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions and investments where quantifiable

Carbon dioxide is the most significant contributor to anthropogenic global GHG emissions (which also include methane, nitrous oxide and fluorinated gases). To measure the equivalent warming impact of GHG emissions, the Group's GHG emissions are measured as tonnes of carbon dioxide equivalent (tCO₂e).

The following table provides details of the carbon associated with the direct operation of businesses part of the Benefact Group. To support these ambitions, in 2021 the Benefact Group set a target to reduce direct emissions by 20%. The reporting period is January to December.

Emissions source	2021			tCO ₂ /employee	2022			tCO ₂ /employee
	UK	Non-UK	Total		UK	Non-UK	Total	
Scope 1: fuel, fluorinated gas losses and fuel combustion in premises / vehicles	97	6	103		143	23	166	
Scope 2: location based electricity	383	97	480		584	92	677	
Scope 2: market based electricity	68	97	165		82	92	174	
Scope 3: business travel, waste and water use	172	22	194		734	217	951	
Total CO₂e	337	125	462	0.23	959	332	1291	0.61

Total energy use 4,139,168 kWh, of which 3,775,241 kWh is UK and 363,927 kWh is non-UK.

Methodology

We have reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our reporting year runs from January to December 2022. The emissions reporting boundary is defined as all entities and facilities either owned by or under operational control of Benefact Group, therefore emissions relating to our premises and associated travel by staff based at those premises. It includes data covering 89% of our Group by headcount. We continue to improve the coverage and quality of data which informs our report. Scope 1 emissions from fluorinated gas losses and fuel combustion in premises / vehicles, Scope 2 emissions from electricity and cooling in premises, and Scope 3 emissions associated with business travel, waste and water use have been calculated using UK government greenhouse gas reporting emission factors 2022 (Department for Environment, Food and Rural Affairs).

The Group sources 40% of its electricity from renewable sources, a slight rise on 2021 (34%). The Group self-generated 92,631 kWh of energy equivalent to 18 tonnes of carbon.

The Group recognises that the pandemic had a significant impact on direct business activity resulting in a much lower carbon footprint in 2021 caused by low or no occupation of offices and dramatically reduced business fleet travel.

Scope 3 emissions

Based on current targets the fund is expected to be aligned with the Sustainable Development Scenario by 2050, representing a potential temperature increase of 1.5C by 2050, compared to 3.1C in the benchmark.

There is huge potential to reduce carbon impact through Scope 3 emissions. Accessing accurate data and exerting influence are complex and challenging but we are committed to making progress. The Group's owned investment assets are managed by EdenTree Investment Management. EdenTree has a seven-year track record of carbon footprinting its equity funds, and a two-year track record of carbon footprinting the Group's General Fund (which encompasses the Group's equity funds and some corporate bond funds).

Commentary on the Group general fund:

- The fund's carbon footprint is 18.09 tCO₂e/£m invested, 82.95% lower than its benchmark.
- The weighted average carbon intensity (WACI) of the fund is 57.18 tCO₂e/£m revenue, 68.86% more efficient than its benchmark.
- 50.95% of the Fund is covered through this climate analysis, of which 84.4% of companies disclose their emissions. 61% of companies have either set a Science Based Target or have committed to doing so.

Expanding Scope 3 emissions reporting and influence

In 2022 an initial wider assessment of the Group's assets (beyond equities) was completed. This looked at asset classes including strategic investments, property investments and gilts/corporate bonds. Quantifying the impact of climate change in investments is an emerging practice, with inherent uncertainty in the quality of available data. It is challenging to obtain consistent asset data across an entire portfolio, but the Group will extend its assessment to property. Work has also started to assess the carbon impact of its underwriting portfolios. Methodologies to achieve this are just emerging but the Group is committed to working to understand the carbon impact of underwriting in order to influence and support customers and communities to decarbonise.

Remuneration

Climate-focused performance targets are part of the Group's Long Term Incentive Plan (LTIP). It measures specific climate progress – targeted improvement in ClimateWise performance and reduction in direct emissions. These targets were agreed following a review of remuneration targets with an external partner to ensure best practice.

'Climate-focused performance targets are part of the Group's Long Term Incentive Plan.'



The Beatles Story Liverpool, England

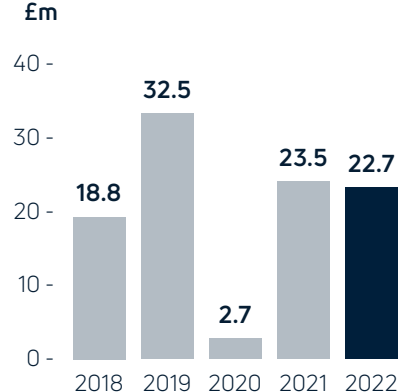
In the heart of Liverpool's Royal Albert Docks, The Beatles Story is an immersive, atmospheric journey through the lives and times of the Fab Four.

The world's largest permanent Beatles exhibition, it houses authentic memorabilia including original instruments such as Ringo Starr's drum kit, clothing and rare album sleeves. There's a discovery zone for children where they can learn about the band and its musical legacy using fun, interactive resources. And along with recreations of key locations and moments from the band's career, there's a rolling programme of special exhibitions.

It's a privilege for us to be entrusted with insuring such an important piece of popular culture and a great example of the breadth of risks and expertise we can provide.

Key Performance Indicators

Financial

Measure	Performance													
Donations The amount donated by Ecclesiastical to charities, including our charitable owner, each year. This is the main measure of our ambition, which was to exceed £250m in charitable giving by the end of 2025.	<p>A robust underwriting performance enabled us to maintain the level of charitable giving to £22.7m. This includes grants of £20.0m to our charitable owner, Benefact Trust, and a further £2.7m to good causes.</p> <p>We achieved our £100m target in 2021, set in 2016, and have set a new target of reaching £250m by the end of 2025.</p>	<div><p>£m</p><table><tr><th>Year</th><th>Donations (£m)</th></tr><tr><td>2018</td><td>18.8</td></tr><tr><td>2019</td><td>32.5</td></tr><tr><td>2020</td><td>2.7</td></tr><tr><td>2021</td><td>23.5</td></tr><tr><td>2022</td><td>22.7</td></tr></table></div>	Year	Donations (£m)	2018	18.8	2019	32.5	2020	2.7	2021	23.5	2022	22.7
Year	Donations (£m)													
2018	18.8													
2019	32.5													
2020	2.7													
2021	23.5													
2022	22.7													

Measure

Regulatory capital¹

The Group's regulatory capital requirements are defined under the Solvency II directive as issued by the European Union and adopted by the Prudential Regulation Authority (PRA).

As the Group assessment is conducted at the level of Benefact Group plc, the following refers to the regulatory capital of Ecclesiastical Insurance Office plc (Ecclesiastical Insurance Office Group's parent company).

The Solvency Capital Requirement (SCR) is a risk-based statistical calculation that quantifies risks specific to our business. The Group sets a target level of capital that is in excess of the SCR to ensure ongoing compliance.

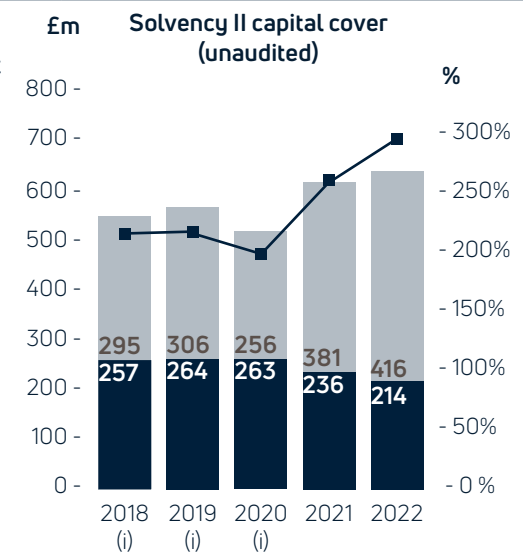
Performance

Ecclesiastical's capital cover under Solvency II has improved.

During 2022, own funds have increased due to a large movement in discount rates reducing technical provisions. Our Solvency II regulatory capital position remains above regulatory requirements and risk appetite. The solvency coverage has decreased due to an increase in the Loss Absorbing Capacity of Deferred Taxes.

The figures for 2022 are based on the information provided to the Board as part of its ongoing management of the business and are unaudited.

We continue to balance the need to retain profit within the business to support our strategy for future growth and investment in technology and innovation, with our aspiration to meet charitable giving targets.



(i) the 2018, 2019 and 2020 own funds are audited and reflect figures from the Company's published Solvency and Financial Condition Report which is available via the Company's website

■ SCR (£m)
 ■ Excess own funds (£m)
 — Capital cover (%)

¹ Alternative performance measure, refer to note 38 to the financial statements for further explanation

Measure	Performance																			
Profit or loss before tax The Group's profit or loss before deduction of tax. Each year, refreshed targets are set in relation to the Group's business plans for profit before tax. Details of the target that was set for 2022 can be found in the Group Remuneration Report. Our short-term target is to generate sufficient profit to enable us to meet our targets for charitable donations.	<p>The Group reported a loss before tax in 2022 of £4.8m (2021: £79.2m profit) driven by fair value losses on our investment portfolio.</p> <p>More information on underwriting performance is given below.</p> <p>See the Chief Financial Officer's Report within the Strategic Report for more details.</p>	<table><tr><th>Year</th><th>Profit/(loss) before tax (£m)</th><th>Underwriting profit (£m)</th></tr><tr><td>2018</td><td>15.4</td><td>15.4</td></tr><tr><td>2019</td><td>73.3</td><td>20.0</td></tr><tr><td>2020</td><td>(15.7)</td><td>10.0</td></tr><tr><td>2021</td><td>79.2</td><td>10.0</td></tr><tr><td>2022</td><td>(4.8)</td><td>28.0</td></tr></table>	Year	Profit/(loss) before tax (£m)	Underwriting profit (£m)	2018	15.4	15.4	2019	73.3	20.0	2020	(15.7)	10.0	2021	79.2	10.0	2022	(4.8)	28.0
Year	Profit/(loss) before tax (£m)	Underwriting profit (£m)																		
2018	15.4	15.4																		
2019	73.3	20.0																		
2020	(15.7)	10.0																		
2021	79.2	10.0																		
2022	(4.8)	28.0																		
Combined operating ratio¹ (COR) The sum of Ecclesiastical's general insurance incurred losses and expenses divided by earned premiums for each financial year. Each year, refreshed targets are set in relation to the Group's business plans for the Group COR. Details of the target that was set for 2022 can be found in the Group Remuneration Report. Our target over the longer term is to achieve 95% COR.	<p>Our COR decreased in 2022 despite adverse flooding and freeze events across territories and some unusually large claims in the UK. Prior year releases have been modest overall as we have strengthened reserves for latent claims.</p> <p>The Group continues to keep underwriting and pricing discipline at the centre of its strategy, prioritising profit over growth in the competitive business environment.</p> <p>For a breakdown of how COR is calculated see note 38 to the financial statements.</p> <p>See the Chief Financial Officer's Report within the Strategic Report for more details.</p>	<table><tr><th>Year</th><th>COR (%)</th></tr><tr><td>2018</td><td>86.4</td></tr><tr><td>2019</td><td>91.1</td></tr><tr><td>2020</td><td>95.1</td></tr><tr><td>2021</td><td>96.8</td></tr><tr><td>2022</td><td>91.0</td></tr></table> <p>Longer-term target: 95%</p>	Year	COR (%)	2018	86.4	2019	91.1	2020	95.1	2021	96.8	2022	91.0						
Year	COR (%)																			
2018	86.4																			
2019	91.1																			
2020	95.1																			
2021	96.8																			
2022	91.0																			

¹ Alternative performance measure, refer to note 38 to the financial statements for further explanation.

Measure	Performance	
Net expense ratio¹ (NER)	Our NER decreased in 2022 to 52.5% reflecting a 11.3% increase in net earned premium and 9.2% increase in net expenses.	(%)
Total expenses as a proportion of the net premium earned in the year. These expenses include acquisition costs, administration costs, the movement in deferred acquisition costs and commission paid less commission received.	Expenses include our continuing programme of strategic investment in technology to support business growth and customers’ needs.	100 -
Our aim is to make year-on-year improvements in the NER. However, in the short term, we expected the NER to reflect a planned increase in strategic investment.	For a breakdown of how NER is calculated, see note 38 to the financial statements.	80 -
		60 -
		40 -
		20 -
		0 -
		2018 2019 2020 2021 2022

54.5

53.0

52.4

53.5

52.5

Key Performance Indicators Non-Financial

We place equal importance on financial and non-financial key performance indicators. Details of the non-financial performance indicators can be found within our Strategy in action section and our Responsible Business Report.

¹ Alternative performance measure, refer to note 38 to the financial statements for further explanation.

Grand Lodge Dublin, Ireland

The Grand Lodge of Freemasons is one of Dublin's most historic buildings. On New Year's Eve 2021, the building that had been home to the Grand Order of Freemasons since the 1860s was almost destroyed in an arson attack. Besides structural damage caused by the fire itself, including to the decorative ceilings, ornate covings and other plasterwork, there was extensive damage to the contents including furniture, paintings, manuscripts and books.

As specialist heritage insurers, we knew that speed was of the essence in saving as much of the historic fabric and contents of the building as possible from the acidic soot residue. Our team were on hand the following day to begin the recovery and restoration process. Even before the fire, we'd worked with the Grand Lodge to prepare for such an incident – advance work that helped mitigate loss and aid a smooth recovery.

The Grand Lodge reopened having been restored to its former glory by our talented team of experts, and we were delighted that our experience and expertise were able to bring about the speedy restoration of this iconic building.



Chief Financial Officer's Report

The Group reported a loss before tax of £4.8m (2021: £79.2m profit), largely due to fair value investment losses resulting from the challenging economic environment, with the net investment return of £4.1m being £98.8m lower than in 2021.



There were a number of specific items affecting the results, both before and after tax. Before tax, and included within the net investment return, a credit of £66.9m (2021: £14.5m) arose from an increase in the discount on general insurance liabilities. A fair value gain was also recognised for £16.8m (2021: £9.3m) on an unlisted equity investment benefiting from the buoyant reinsurance market, and fair value losses of £21.2m (2021: £20.2m gains) were recognised on investment properties.

During the year, the Group changed its approach to discounting to include all general insurance liabilities. This change in discounting accounting policy ensured the effects of higher interest rates and high inflation were being reflected across both our short- and longer-term insurance liabilities and so as to more consistently match the effects of changes in interest rates on both insurance liabilities and the assets held to match them. This contributed £13.2m towards the total 2022 impact of discounting and £2.6m in the prior year, which has been restated. More

information on these items is included in the investments section below.

In December 2022 and January 2023 the Group made a number of structural changes to support the wider Benefact Group's alignment of businesses across its three main divisions. The impact from these structural changes, including the results of these businesses, was a profit of £13.7m and is presented after tax. Further information on these changes can be found below.

We have continued and will continue to manage our businesses with a long-term view of risk. As a result we have a strong capital position that can withstand short term volatility and our excellent and strong credit ratings with AM Best and S&P were reaffirmed during the year. Following a routine review of our credit rating agencies, we added Moody's alongside AM Best as our agencies, who have also affirmed our excellent credit rating. Given that businesses of our size and type would typically have two rating agencies, we agreed with S&P to exit our relationship with them. S&P

reiterated an exit rating of A- (stable). Our Solvency II regulatory capital position remains above regulatory requirements and risk appetite.

Structural changes

Ecclesiastical is part of the Benefact Group, a charitably owned financial services group. Across this wider Benefact Group we have made a number of changes to the legal entity structure to better align and optimise our businesses to the way in which we manage and achieve our growth ambitions across our specialist insurance, investment management and broking and advisory divisions.

On 30 December 2022, Ecclesiastical disposed of South Essex Insurance Holdings Limited and its wholly-owned subsidiary SEIB Insurance Brokers Limited (together 'SEIB') to the Lloyd & Whyte Group Limited (Lloyd & Whyte) for £45.2m, recognising a gain after tax of £14.3m. Lloyd & Whyte is an associate of the Benefact Group in whom we are taking an increased share of

'We have continued and will continue to manage our businesses with a long-term view of risk. As a result we have a strong capital position that can withstand short-term volatility.'

ownership over time, with full ownership expected to occur in 2026. They provide a range of expert financial planning and specialist insurance services. This disposal took us another step closer to our longer term growth ambitions for our broking and advisory division and will provide synergies and opportunities for closer co-operation in the areas these businesses operates in.

On 3 January 2023 two wholly-owned subsidiaries, EdenTree Investment Management Limited (EdenTree) and Ecclesiastical Financial Advisory Services Limited (EFAS), were transferred to the Benefact Group. The assets and liabilities of these businesses are presented in the Group's balance sheet as amounts held for distribution and represented net assets transferred of £4.5m.

The results of SEIB, EdenTree and EFAS contributed a net loss before tax of £0.2m (2021: profit £0.5m) and are presented within the Group's financial statements as discontinued operations in the current and prior year after tax. The gain on disposal of SEIB is also presented within discontinued operations.

General insurance

The Group's underwriting businesses have performed in line with expectations in most territories, resulting in a Group Combined Operating Ratio¹ (COR) of 91.0% (2021: 96.8%). We have delivered steady underwriting profits despite adverse flooding and freeze events across territories, and some unusually large claims in the UK. Prior year releases have been modest

overall as we have strengthened reserves for latent claims. Our strategy to focus on profitable growth opportunities has continued to deliver, with new business of £34.7m contributing to almost half of our overall GWP growth of 15% to £559m (2021: £486m). The strong growth also reflects targeted rate increases as well as strong retention and excellent service delivered to brokers and customers.

Our programme of investment has continued, particularly across our technology platforms and with our colleagues. Our investments in these platforms are an important part in supporting the growth of our business and our customers' needs for the long term.

United Kingdom and Ireland

In the UK and Ireland, underwriting profits fell slightly to £24.2m (2021: £25.0m) resulting in a COR of 86.7% (2021: 85.3%). GWP grew by 16.0% to £344.8m (2021: £297.2m). The current year performance was profitable despite a run of weather events and large claims which affected the UK and Ireland in 2022.

Heritage, Real Estate and Schemes were particularly strong growth areas in 2022 as pricing remained robust in these areas, partly due to reduced insurance capacity and strong propositions in these markets, and we continued to focus on consistent service and delivery of expertise across the business. We expect trading conditions to become more competitive in 2023 with the outlook becoming increasingly unpredictable. Inflationary pressures in

the economy, the Ukrainian war, global economics, and the potential for more frequent and intense weather events due to climate change all contribute to this uncertainty. However, our Net Promoter Scores across brokers and customers are robust and provide resilience enabling us to carry positive rate change where appropriate and contribute to the high levels of retention experienced. GWP in respect of our Faith business remained in line with the prior year reflecting a good result in challenging competitive conditions specific to this market.

Our strategy over the medium term is to deliver GWP growth, while maintaining our strong underwriting discipline, as our philosophy is to seek only profitable growth. We will continue to deepen our specialist capabilities through investment in technology and innovation together with the propositions, specialism and excellent service that our customers value.

Ansvar Australia

Our Australian business reported an underwriting loss of AUD\$5.1m resulting in a COR of 107.3% (2021: AUD\$24.4m loss, COR of 156.9%). GWP grew by 3.9% in local currency to AUD\$177.8m (2021: AUD\$171.2m) with strong rate increases combined with moderate new business growth offset by a lower retention rate. The performance of the underlying business in the current year has been good and continues to improve in light of positive underwriting actions. The underwriting result for 2022 was impacted by a very high level of catastrophe claims and

the strengthening of prior year casualty reserves. The level of historic physical and sexual abuse (PSA) claims being notified stabilised in 2022, following increases in previous years. This risk is internally reinsured within the Group (reported on below). The overall result in the prior year had been adversely impacted by PSA reserve strengthening.

The Australia operation contributed an underwriting loss of £1.0m (2021: £10.0m) to the Group internal reinsurance portfolio, with the relative improvement reflecting the levelling of PSA claims reporting.

Canada

Our Canadian business continued its track record of delivering double-digit premium growth, reporting GWP of CAD\$175.4m (2021: CAD\$158.0m), an 11.0% increase, which was supported by strong retention and rate increases as well as new business.

Canada reported an underwriting profit of CAD\$11.3m resulting in a COR of 90.6% (2021: CAD\$12.2m profit, COR of 88.6%). Despite an increase in the number of large losses and Hurricane Fiona, the property book performed well due to lighter than expected attritional losses. The performance of the liability book was impacted by adverse development on prior year claims and the resultant strengthening of the reserves provision.

Investments

Our results include fair value losses of £94.1m (2021: £58.3m gains) on our

¹ Alternative performance measure, refer to note 38 to the financial statements for further information.

investment portfolio, which contributed to a lower net investment gain of £4.1m (2021: £102.9m). Investment income of £32.1m (2021: £30.9m) stood up well and comparably with the prior year.

Investment markets have been impacted by macroeconomic disruptions, exacerbated by the geopolitical turmoil in Ukraine and the cost-of-living crisis shadowing the economic outlook. Higher food and energy prices are pushing inflation to a 40-year high in the UK and other parts of the world, as central banks respond with tighter monetary policy in an effort to bring this under control. While we may have now passed a peak in inflation, the outlook drove down financial asset prices compared to last year.

The past three years highlights the impact economic and political uncertainty can have on the performance of our investments; however, we remain confident in our long-term investment philosophy, and are well-diversified and relatively defensively positioned.

Fair value losses on financial instruments of £72.9m (2021: £38.1m gains) included a gain on an unlisted equity investment of £16.8m (2021: £9.3m). We recognised fair value losses of £21.2m (2021: £20.2m gains) on our investment properties, driven by a fall in the value of industrial sector capital values in the portfolio, as investors continue to adjust to the new reality of higher interest rates.

The Group's investment strategy includes the objective of matching assets with insurance liabilities when managing exposure to interest rate risk. Insurance liabilities expected future cash flows are

discounted at an interest rate which is set to reflect the risk-free yields available on a suitable portfolio of illiquid assets. During the year, an upward movement in interest rates led to an increase in the discount applied to insurance liabilities. This resulted in an overall gain of £66.9m (2021: £14.5m) which is recognised within the net investment return. While the majority of this arose from our longer-term liabilities, £13.2m related to our shorter-term liabilities.

We recognise the importance of our role in tackling climate change and that we have a duty to invest responsibly. Our Responsible and Sustainable Investment Policy plays an important part in how we invest responsibly, informing our investment strategy and helping understand and mitigate the risks of climate change. Our strategy includes a focus on responsible investment and encompasses action to respond to climate risk and operations, investing in ways that support the transition to a low-carbon economy. The Group is expected to be aligned with the Sustainable Development Scenario by 2050, representing a temperature increase of 1.5C by 2050, well ahead of the 3.1C benchmark. More information on the Group's approach to responsible investment including actions we take to mitigate the risks of transitioning to a low-carbon economy can be found in our Responsible Business Report.

Long-term business

Our life business, Ecclesiastical Life Limited, reopened to business during 2021, launching a new product providing guaranteed funeral planning products sold by Ecclesiastical Planning Services, a business within the wider Benefact Group. The legacy book within our life insurance

business remains closed to new business. Profit before tax was £3.6m for the year (2021: £1.1m), driven by a reduction in liabilities due primarily to an increase in interest rates. Assets and liabilities in relation to the life insurance business remain well matched.

IFRS 17

The new IFRS 17 insurance accounting standard has been adopted by the Group and was effective from January 2023. This new accounting standard will make the financial statements of public insurance companies more comparable and transparent. The Group's first set of results reported under IFRS 17 will be published in Autumn within the Group's 2023 interim results. Further information about the application of this new accounting standard is included within the notes to the financial statements.

Outlook

Despite the challenges faced during the year and as inflation accelerates across many countries, the underlying resilience of our businesses means we will continue to grow sustainably and invest for the future. It also enabled us to give over £22m to Benefact Trust and other charities in the year. As part of the Benefact Group, we have many exciting opportunities ahead as we look to achieve our ambition of giving £250m cumulatively since 2014 to charitable causes by the end of 2025.

Denise Cockrem
Group Chief Financial Officer

'We recognise the importance of our role in tackling climate change and that we have a duty to invest responsibly.'

Proudly supported by the BENEFACT GROUP 

Church of Ascension Salford, England

In February 2017, the Grade II listed Church of the Ascension in Salford was devastated by fire.

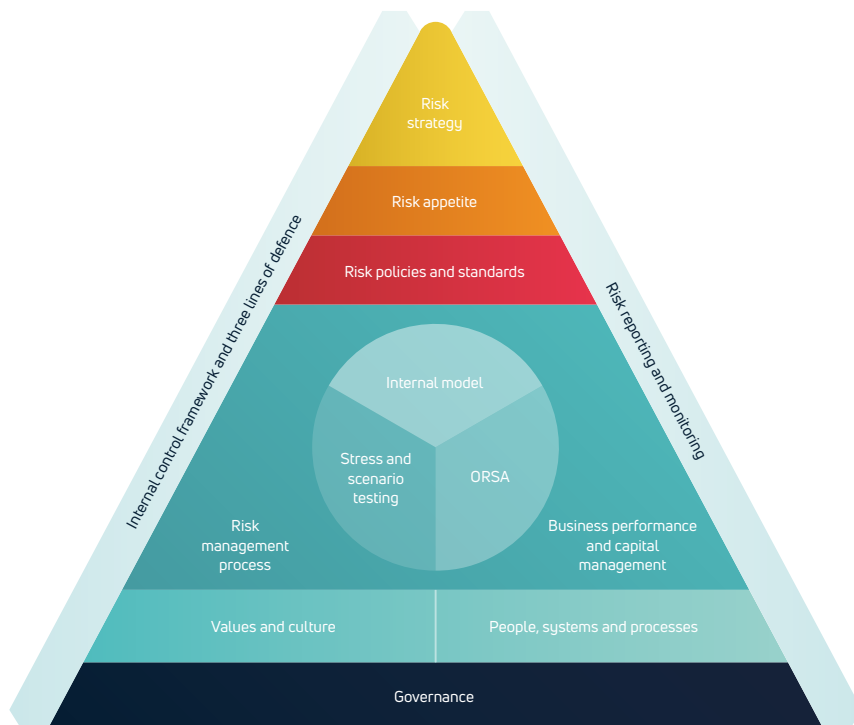
The Ecclesiastical claims team supported the restoration project throughout the five years that followed, from the immediate aftermath, the complex structural process of strengthening the church's supporting columns, through to making the building fit for the needs of the community today, including some new accessible and sustainable solutions. The church was rededicated in November 2022 and Ecclesiastical was thrilled to have been involved in bringing this key inclusive community space back to the people of Lower Broughton.

'It has been a long five and a half years since the fire – we can now look forward to the future with a beautifully restored church that is fit for the 21st century.'
Shirley Kehoe, PCC Secretary

You can read about the full restoration story and the part our specialist expertise and support played by [clicking here](#).

Risk Management Report

Strong governance is fundamental to what we do and drives the ongoing embedding of our Enterprise-Wide Risk Management Framework. This provides the tools, guidance, policies, standards and defined responsibilities that enable us to achieve our strategy and objectives, while ensuring that individual and aggregated risks to our objectives are identified and managed on a consistent basis.



The Risk Management Framework is integrated into the culture of the Group and is owned by the Board. Responsibility for facilitation of the implementation and oversight is delegated via the Group Chief Executive to the Group Risk Function, led by the Group Chief Risk and Compliance Officer.

The Risk Management Process demands accountability and is embedded in performance measurement and reward, thus promoting clear ownership for risk and operational efficiency at all levels. On an annual basis, the Group Risk Committee ("GRC"), on behalf of the Board, carries out a formal review of the key strategic risks for the Group with input from the Group Management Board ("GMB") and the Strategic Business Units (SBUs). The GRC allocates responsibility for each of the risks to individual members of the Group's Executive Management team. Formal monitoring of the key strategic risks is undertaken quarterly, which includes progress of Risk Management actions and is overseen by Executive Risk Committees.

Ecclesiastical has clearly defined the accountabilities, roles and responsibilities of all key stakeholders in implementing and maintaining its Risk Management Framework. These are defined, documented and implemented through the Terms of Reference of Board Sub Committees, Management and Executive Forums, Statement of Responsibilities and Functional Charters.

The Group's Risk Management Framework is part of a wider Internal Control Framework. Systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable, but not absolute, assurance as to the prevention and detection of financial misstatements, errors, fraud or violation of law or regulations.

Key to the successful operation of the internal control framework is the deployment of a strong Three Lines of Defence Model whereby:

- 1st Line (Business Management) is responsible for strategy execution, performance and identification and management of risks and application of appropriate controls.
- 2nd Line (Reporting, Oversight and Guidance) is responsible for assisting the Board in formulating risk appetite, establishing minimum standards, developing appropriate risk management tools, providing oversight and challenge of risk profiles and risk management activities within each of the business units and providing risk reporting to Executive Management and the Board.
- 3rd Line (Assurance) provides independent and objective assurance of the

effectiveness of the Group's systems of internal control. This activity principally comprises the Internal Audit function, which is subject to oversight and challenge by the Group Audit Committee.

We seek to develop and improve our Risk Management Framework and strategy on an ongoing basis to ensure it continues to support the delivery of our strategy and objectives.

The Group Risk Appetite defines the level of risk-taking that the Board considers to be appropriate for the Group as we pursue our business objectives. It is defined in line with the different categories of risk that the Group faces, and provides the backdrop against which the business plan is developed and validated. This ensures that the risk profile resulting from the business plan is in line with the risk-taking expectations of the Board. Compliance with the risk appetite is formally monitored every quarter and reported to GRC at each meeting.

The risk appetite is formally reviewed annually with approval and sign-off by the Board and there are ongoing assessments to ensure its continued appropriateness for the business.

The Own Risk and Solvency Assessment (ORSA) process is carried out at least once a year and is a key part of the business management and governance structure. This integrates the risk management, business planning and capital management activities and ensures that risk, capital and solvency considerations are built into the development and monitoring of the Group's business strategy and plans and all key decision-making.

The Group has Regulatory approval for the use of an Internal Model to determine our Regulatory Capital requirement. In addition, the Internal Model's capability to quantify material risks and assess the impacts on capital requirements across a range of scenarios allows us to gain a deeper insight into the relationship between Risk and Capital Management.

The Internal Model is used extensively to inform key business decisions across the Group, including setting business strategies and objectives, producing risk profiles and capital requirements for different scenarios, informing risk-taking guidelines, informing and defining the Group Risk Appetite and Investment Strategy, determining risk mitigation mechanisms and responses to regulatory capital requirements.

Risk environment

The Risk environment is monitored on an ongoing basis and key areas of concern are escalated to GRC.

While we felt significant pressure on the cost and availability of reinsurance, we were able to complete our placement effectively, despite this background. Although inflation predictions have settled more recently, this will be a continuing area of focus across the business into 2023.

With market volatility throughout the year, we maintained our existing investment approach and made no material changes to our asset mix, holding a diversified portfolio of assets including equities and property held for prospects of long-term returns. Consequently, we continue to choose to take

a relatively high level of market risk, which is well understood and closely monitored and managed.

The profitable management of our insurance businesses on a portfolio basis in hardening markets continues to be a key area of focus for the Group; ensuring that the business written and retained is profitable and sustainable. Competitor activity remains a risk across all our business operations and chosen niches and 2022 was no exception. Our strategy remains to achieve controlled and profitable growth within our defined specialist markets. During 2022 we have maintained our strong underwriting discipline and risk appetite.

The potential for adverse development of long-tail liability claims, particularly in respect of PSA claims, remains a key risk that we continue to actively manage. A further report was issued in relation to the Independent Inquiry into Child Sexual Abuse in the UK in October 2022. Continued elevated claims volumes in Australia and a combination of greater frequency and a higher assumed severity of claims in Canada has led to increases in levels of reserves held in both of those territories. We continue to monitor the experience and claims environment in all of the territories in which we operate.

The impact of the Covid-19 pandemic continued into the start of 2022 and the wide-ranging impacts, both direct and indirect, continued on the Group, and especially in regards to the economic environment in which we operate. Although there were reduced implications on the Group's operations through 2022, there

were continued impacts on the insurance policies written by Group companies and on the Group's investment assets. These were further impacted by the inflationary pressures felt across the economy.

The Covid-19 pandemic was the trigger for a high volume of regulatory guidance issued in all territories during the prior years; some other elements of regulatory change had therefore been delayed. However, focus in 2022 has been heavily on Consumer Duty across the Group. Management of change in the regulatory environment will remain a key focus area to ensure that we operate within relevant legal, regulatory and consumer protection requirements and guidelines and that our people maintain the highest standards of conduct with continued commitment to placing customers at the centre of everything we do.

Cyber risk remains a constantly evolving threat due to the threat of zero day attack. We hold customer data, and therefore any event involving a significant loss of such data could result in harm to the data subjects, significant operational disruption and an impact on our service to customers, as well as sizeable regulatory fines and reputational damage. The increased societal focus on data security and appropriateness of use, together with regulations such as GDPR, results in increased scrutiny and prominence. Hybrid working continues, and this is seen as an exploitable opportunity for external attackers, and there continues to be a general increase in social engineering and phishing attacks across the financial sector. Employee awareness and vigilance is therefore highly important at this time, and the Group operates an ongoing programme of

training and awareness exercises for its staff. The Group aims to be the most trusted, specialist insurer and therefore maintaining a positive reputation is critical. Our reputation could potentially be damaged as a result of a range of factors including poor business practices and behaviours. High standards of conduct are a core part of the Group's brand, values and culture and there is an ongoing focus on ensuring this is maintained.

Climate change presents increasing levels of risk to our businesses and our customers. While the greatest impacts of these risks are expected to materialise in the medium to long term, it is important that we take actions to mitigate and manage these risks now. Our exposures to climate change risk include transition risk, primarily related to our investment portfolio, and physical risk that additionally affects the insurance risks that we cover.

'High standards of conduct are a core part of the Group's brand, values and culture and there is an ongoing focus on ensuring this is maintained.'

Principal risks

There is an ongoing risk assessment process which has identified the current principal risks for the Group as follows:

Insurance risk

The risk that arises from the fluctuation in the timing, frequency and severity of insured events relative to the expectations of the firm at the time of underwriting.

Risk detail	Key mitigants	Change from last year
Underwriting risk¹ The risk of failure to price insurance products adequately and failure to establish appropriate underwriting disciplines. The premium charged must be appropriate for the nature of the cover provided and the risk presented to the Group. Disciplined underwriting is vital to ensure that only business within the Company's risk appetite and desired niches is written.	<ul style="list-style-type: none"> • A robust pricing process is in place • The Underwriting Licencing process has been refreshed • A documented underwriting strategy and risk appetite is in place together with standards and guidance and monitored by SBUs • This is supported by formally documented authority levels for all underwriters which must be adhered to. Local checking procedures ensure compliance • Monitoring of rate strength compared with technical rate is undertaken on a regular basis within SBUs • There are ongoing targeted underwriting training programmes in place • A portfolio management framework is in place to ensure clear understanding and allow targeted actions to be taken 	There have not been material changes to this risk during the year, with soft market conditions continuing in all territories, though the impact of increased claims inflation has needed careful management.
Reserving risk¹ Reserving risk is the risk of actual claims payments exceeding the amounts we are holding in reserves. This arises primarily from our long-tail liability business. Failure to interpret emerging experience or fully understand the risks written could result in the Group holding insufficient reserves to meet our obligations.	<ul style="list-style-type: none"> • Claims development and reserving levels are closely monitored by the Group Reserving team • For statutory and financial reporting purposes, prudential margins are added to a best estimate outcome to allow for uncertainties • Claims reserves are reviewed and signed off by the Board acting on the advice and recommendations of the Group Chief Actuary following review by the Reserving Committee • An independent review is also conducted by the Actuarial Function Director with reporting to the Board 	This risk is not considered to have changed materially during the year, with inflationary impacts being a key consideration in the reserving process during 2022. A rise in numbers of Physical and Sexual Abuse claims in the Australian and Canadian businesses over the past year has led to an increase in reserves.

¹ Link to viability statement – risk included in stress and scenario analysis

Risk detail	Key mitigants	Change from last year
<p>Catastrophe risk¹</p> <p>The risk of large-scale extreme events giving rise to significant insured losses. Through our general insurance business we are exposed to significant natural catastrophes in the territories in which we do business.</p>	<ul style="list-style-type: none"> • Modelling is undertaken to understand the risk profile and inform the purchase of reinsurance • There is a comprehensive reinsurance programme in place to protect against extreme events. All placements are reviewed and approved by the Group Reinsurance Board • Exposure monitoring is undertaken on a regular basis • A Catastrophe Risk Management Group provides oversight and sign-off of reinsurance modelling • The Group Risk Appetite specifies the reinsurance purchase levels and retention levels for such events • Local risk appetite limits have been established to manage concentrations of risk and these are monitored by SBUs 	<p>There have been no material changes to this risk. We continue to monitor our aggregations and exposures to such events and ensure careful management utilising appropriate protections.</p>
<p>Reinsurance risk</p> <p>The risk of failing to access and manage reinsurance capacity at a reasonable price. Reinsurance is a central component of our business model, enabling us to insure a portfolio of large risks in proportion to our capital base.</p>	<ul style="list-style-type: none"> • We take a long-term view of reinsurance relationships to deliver sustainable capacity • A well-diversified panel of reinsurers is maintained for each element of the programme • A Group Reinsurance Board approves all strategic reinsurance decisions 	<p>The level of this risk has not materially changed, however reinsurance markets have experienced increasing challenges in recent years due to the impact of Covid-19 claims and global catastrophe events, as well as the volatile economic challenges in 2022. This has resulted in tightening of criteria and capacity in certain areas. We continue to take a long-term approach to our reinsurance relationships.</p>

Other financial risks

The risk that proceeds from financial assets are not sufficient to fund the obligations arising from insurance contracts.

Risk detail	Key mitigants	Change from last year
<p>Market and investment risk</p> <p>The risk of adverse movements in net asset values arising from a change in interest rates, equity and property prices, credit spreads and foreign exchange rates. This principally arises from investments held by the Group. We actively take such risks to seek enhanced returns on these investments.</p> <p>The Group's balance sheet is also exposed to market risk within the defined benefit pension fund.</p>	<ul style="list-style-type: none"> • An investment strategy is in place which is reviewed at least annually and signed off by the Finance and Investment Committee (F&I). This includes consideration of the Group's liabilities and capital requirements • A Market and Investment Risk Committee is in place and provides oversight and challenge of these risks and the agreed actions. There is a formalised escalation process to GMB and F&I in place • There are risk appetite metrics in place which are agreed by the Board and include limits on Asset / Liability Matching and the management of investment assets • Derivative instruments are used to hedge elements of market risk, notably equity and currency. Their use is monitored to ensure effective management of risk • There is tracking of risk metrics to provide early warning indicators of changes in the market environment • The Pension Scheme Trustee Board has an Investment Committee that oversees the market risks in the pension fund. The Company, as employer sponsor of the fund, maintains regular communication with this Committee <p>Further information on this risk is given in note 4 to the financial statements on page 135.</p>	<p>Overall the market risk profile has not materially changed and we remain invested for the long term. We continue to monitor market conditions and the socio-political environment.</p>

¹ Link to viability statement – risk included in stress and scenario analysis

Risk detail	Key mitigants	Change from last year
<p>Credit risk</p> <p>The risk that a counterparty, for example a reinsurer, fails to perform its financial obligations to the Company or does not perform them in a timely manner resulting in a loss for the Group. The principal exposure to credit risk arises from reinsurance, which is central to our business model. Other elements are our investment in debt securities, cash deposits and amounts owed to us by intermediaries and policyholders.</p>	<ul style="list-style-type: none"> • Strict ratings criteria are in place for the reinsurers that we contract with and a Reinsurance Security Committee approves all of our reinsurance partners • Group Reinsurance monitors the market to identify changes in the credit standing of reinsurers • There are risk appetite limits in place in respect of reinsurance counterparties which are agreed by the Board • Strong credit control processes are in place to manage broker and policyholder exposures <p>Further information on this risk is given in note 4 to the financial statements on page 135.</p>	<p>The level of this risk has remained broadly similar to the previous year, although we are cognisant to the challenges of the current cost-of-living crisis, and the potential knock-on impacts.</p>
<p>Liquidity risk</p> <p>The risk that the Group, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. We may need to pay significant amounts of claims at short notice if there is a natural catastrophe or other large event in order to deliver on our promise to our customers.</p>	<ul style="list-style-type: none"> • We hold a high proportion of our assets in readily realisable investments to ensure we could respond to such a scenario • We maintain cash balances that are spread over several banks • We have arrangements within our reinsurance contracts for reinsurers to pay recoverables on claims in advance of the claim settlement 	<p>There have been no material changes to this risk since last year.</p>

¹ Link to viability statement – risk included in stress and scenario analysis

Risk detail	Key mitigants	Change from last year
<p>Climate change</p> <p>The financial risks arising through climate change.</p> <p>The key impacts for the Company are physical risks (event-driven or longer-term shifts), the transition risks of moving towards a lower carbon economy and liability risks associated with the potential for litigation arising from an inadequate response.</p>	<ul style="list-style-type: none"> • Catastrophe risk is managed through reinsurance models • We consider flood risk and other weather-related risk factors in insurance risk selection • There is an ESG overlay on the investment strategy 	<p>A programme of work continues to fully analyse the impact on the Group and to develop appropriate risk management responses.</p> <p>The Group has effected changes to its investment policy to:</p> <ul style="list-style-type: none"> • exclude investment in companies that are wholly or mainly involved in fossil fuel exploration and production and thermal coal • monitor the overall carbon profile and intensity of companies and, through its Fund Manager, engage with the highest emitters, and urge the setting of science-based targets aligned with the Paris Agreement • seek opportunities to invest in areas that are leading the transition to a low carbon economy, where these also meet robust investment criteria

¹ Link to viability statement – risk included in stress and scenario analysis

Operational risk

The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

Risk detail	Key mitigants	Change from last year
Systems risk The risk of inadequate, ageing or unsupported systems and infrastructure and system failure preventing processing efficiency. Systems are critical to enable us to provide excellent service to our customers.	<ul style="list-style-type: none"> • A defined IT Strategy is in place • Systems monitoring is in place together with regular systems and data backups • A strategic systems programme is underway to deliver improved systems, processes and data • Business recovery plans are in place for all critical systems and are tested according to risk appetite 	This level of risk remains stable, as the Group continues to invest in IT infrastructure to maintain and improve future stability.
Cyber risk The risk of criminal or unauthorised use of electronic information, either belonging to the Group or its stakeholders, e.g. customers, employees etc. Cyber security threats from malicious parties continue to increase in both number and sophistication across all industries.	<ul style="list-style-type: none"> • A number of security measures are deployed to ensure protected system access • Security reviews and assessments are performed on an ongoing basis • There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect cyber security attacks • There is an ongoing Information Security training and awareness programme 	Cyber risk remains a constantly evolving threat, with malicious threat attackers continuing to seek to exploit businesses returning from the Covid-19 related business disruption, including a more hybrid approach to working. Employee awareness and vigilance is therefore highly important at this time, which is continuing to be proactively managed.
Change risk The risk of failing to manage the change needed to transform the business. A number of strategic initiatives are underway under three themes: support and protect; innovate and grow; and transform and thrive. These include a transformation of our core system and key processes, which will deliver significant change for the Company over the next few years. There are a number of material risks associated with major transformation, not only on the risks to project delivery itself, but the potential disruption to business as usual, or delays to planned benefits.	<ul style="list-style-type: none"> • We have a clearly articulated Group Strategic Programme, identifying areas of priority across the Group • We ensure that there is adequate resourcing for change projects using internal and external skills where appropriate • A Change Board and change governance processes are in place and operate on an ongoing basis • The GMB undertakes close monitoring and oversight of the delivery of the strategic initiatives and key Group change programmes 	<p>The level of this risk has not materially changed. There continues to be a significant volume of change within the business, which is monitored closely, relating to both IT systems and to meet the ever changing regulatory landscape, including the successful implementation of the required changes from IFRS 17.</p> <p>Appropriate strengthening of expertise has continued in the year to reflect and meet this volume of change.</p>

¹ Link to viability statement – risk included in stress and scenario analysis

Risk detail	Key mitigants	Change from last year
<p>Operational resilience</p> <p>The risk that the Group does not prevent, respond to, recover and learn from operational disruptions.</p> <p>The Group provides a wide range of services to a diverse customer base and has a reputation for delivering excellent service. Therefore, we seek to minimise the potential for any such disruption that would impact on the service provided to our customers.</p>	<ul style="list-style-type: none"> • A recovery and resilience framework is in place aligned to the delivery of customer services • Recovery exercises including IT systems are regularly performed across the Company with actions identified addressed within an agreed timescale • All suppliers are subject to ongoing due diligence • There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect issues 	<p>Operational resilience continues to have been successfully tested during the year, with the continued need to meet the needs of our customers, alongside working in a new hybrid environment. Focus in 2022 and into the coming couple of years, remains on meeting the enhanced regulatory requirements around resilience.</p>
<p>Data management and governance</p> <p>The risk that the confidentiality, integrity and/or availability of data held across the Group is compromised, or data is misused. The Group holds significant amounts of customer and financial data and there could be significant implications if this is compromised or is found to be inaccurate.</p>	<ul style="list-style-type: none"> • A Group Data Governance and Management Committee is in place • Group Data Governance and Group Data Management and Information Security Policies are in place • A Group Data Optimisation Programme is in place which is responsible for ensuring the delivery of the data strategy and all aspects relating to the governance, management, use and control of the Group's data in line with regulatory requirements 	<p>Enhancements continue to be made to the governance, management, use and control of data, in order to meet the evolving requirements. It continues to be monitored and managed within the context of major change programmes.</p>

¹ Link to viability statement – risk included in stress and scenario analysis

Regulatory and conduct risk

The risk of regulatory sanction, operational disruption or reputational damage from non-compliance with legal and regulatory requirements or the risk that Ecclesiastical's behaviour may result in poor outcomes for the customer.

Risk detail	Key mitigants	Change from last year
Regulatory risk The risk of regulatory sanction, operational disruption or reputational damage from non-compliance with legal and regulatory requirements. We operate in a highly regulated environment which is experiencing a period of significant change	<ul style="list-style-type: none"> • We undertake close monitoring of regulatory developments and use dedicated project teams supported by in-house and external legal experts to ensure appropriate actions to achieve compliance • An ongoing compliance monitoring programme is in place across all our SBUs • Regular reporting to the Board of regulatory compliance issues and key developments is undertaken 	There continues to be a significant volume of regulatory change. We remain focused on the management of regulatory change and therefore the overall risk level is unchanged.
Conduct risk The risk of unfair outcomes arising from the Group's conduct in the relationship with customers, or in performing our duties and obligations to our customers. We place customers at the centre of the business, aiming to treat them fairly and ethically, while safeguarding the interests of all other key stakeholders.	<ul style="list-style-type: none"> • There is ongoing staff training to ensure that customer outcomes are fully considered in all business decisions • Customer charters have been implemented in all SBUs • Conduct Risk Reporting to relevant governing bodies is undertaken on a regular basis • Customer and conduct measures are used to assess remuneration 	The probability of such risks crystallising increased during the Covid-19 pandemic, which continued into the start of the financial year. However, we remain committed to placing customers at the centre of our practices and decision-making, governed by our internal Conduct & Compliance Committees, and demonstrated by our wide-ranging industry awards and customer satisfaction scores. Overall the level of this risk is unchanged from last year.

¹ Link to viability statement – risk included in stress and scenario analysis

Reputational risk

The risk that our actions lead to reputational damage in the eyes of customers, brokers or other key stakeholders.

Risk detail	Key mitigants	Change from last year
<p>Brand and reputation risk</p> <p>The Group aims to be the most trusted specialist insurer and as a consequence this brings with it high expectations from all of our stakeholders, be they consumers, regulators or the wider industry.</p> <p>While we aim to consistently meet and where possible exceed these expectations, increasing consumer awareness and increased regulatory scrutiny across the sector exposes the Group to an increased risk of reputational damage should we fail to meet them, for example as a consequence of poor business practices and behaviours.</p>	<ul style="list-style-type: none"> • There is ongoing training of core customer facing staff to ensure high skill levels in handling sensitive claims • We adopt a values led approach to ensure customer-centric outcomes • There is a dedicated Marketing and PR function responsible for the implementation of the marketing and communication strategy • Ongoing monitoring of various media is in place to ensure appropriate responses 	<p>Maintaining a positive reputation is critical to the Group's vision of being the most trusted and ethical specialist financial services group.</p> <p>Risks to our brand and reputation are inherently high in an increasingly interconnected environment, with the risks of external threats such as cyber security attacks and viral campaigns through social media always present.</p> <p>The external environment continues to drive a high inherent probability of reputational issues across all financial services companies. We continued to focus on serving our customers and ensuring fair treatment and clear communication, and are proud of the volume of industry awards we continue to win, and of the successful Benefact brand launch in 2022.</p>

¹ Link to viability statement – risk included in stress and scenario analysis

Proudly supported by the BENEFACT GROUP 

Royal Ballet School London, England

The official school of The Royal Ballet, The Royal Ballet School, is a world-renowned centre of excellence. Founded in 1926, the school has contributed immeasurably to our rich dance heritage, with famous names such as Margot Fonteyn and Darcey Bussell among its former students.

Admission is based purely on talent and potential, regardless of academic ability or personal circumstances. Providing an eight-year dance course alongside an extensive academic, pastoral and healthcare programme, the school equips students to flourish in their future careers within and beyond the world of classical ballet.

The Royal Ballet School is just one of the prestigious academic institutions we insure and provide with risk management support. And in recognition of our specialist expertise in insuring schools and charities, we are delighted to have remained their insurer of choice for many years.

Going Concern and Viability Statement

The Financial Performance section on page 41 and Risk Management section of the Strategic Report starting on page 45 provide a review of the Group's business activities and disclose the Group's principal risks and uncertainties, including exposures to insurance, financial, operational and strategic risk.

The Group has considerable financial resources: financial investments of £870.7m, 84% of which are liquid (2021: financial investments of £883.8m, 90% liquid) and cash and cash equivalents of £104.7m (2021: £114.0m) to withstand economic pressures. Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt.

The Group has a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing. The Group has considered its capital position, liquidity and expected performance. The Group and its businesses have sufficient levels of cash and other liquid resources and have expectations they can meet their cash commitments over their planning horizon. The Group and its businesses expect to continue to meet regulatory requirements.

Despite the continuing and expected economic pressures and challenges, given the Group's operations, robust capital strength and liquidity, and in conjunction with forecast projections and stress testing, which were considered severe but plausible downside scenarios, the Directors have a reasonable expectation that the Group has adequate resources and is well placed to manage its risks successfully and continue in operational existence for at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Longer-term viability statement

The Directors have assessed the prospects of the Group in accordance with Provision 31 of the 2018 UK Corporate Governance Code. Although the prospects and business plans of the Group are considered over a longer period, the assessment by the Directors covers three years.

In making its assessment the Directors considered:

- the Group's current position and prospects, risk appetite, and the potential impact of the principal risks and how these are managed
- the Group's long-term business plans and strategy, and the costs associated with its delivery
- the Group's current capital, liquidity and solvency position and projections
- the political, economic and regulatory environment, including uncertainties on the geopolitical outlook and potential for a prolonged recession.

While the Directors have no reason to believe the Group will not be viable over a longer period, a three-year outlook period has been selected. In determining this assessment period, consideration has been given to the nature of the Group and its businesses, its stage of development, strategy and business model. Given the rate of change in the markets in which the Group operates, three years provides an appropriate balance between the period of outlook and degree of clarity over specific, foreseeable risk events that could impact on the viability of the Group. The Directors

will continue to monitor and consider the suitability of this period.

The Group uses varying stress scenarios with reference to the principal risks, which are documented on pages 48 to 56. Scenarios are designed to be severe, but plausible, and assess the impact of certain events on the Group's profitability and capital strength. Reverse stress testing is also used to assess what could make the Group's business model unviable. The outcome of testing was discussed by the Board during the year and consideration was given to the current environment on the Group's viability.

Among the considerations and scenarios were further investment market volatility, claims experience and business deterioration.

The solvency position of the Group has been projected as part of the Own Risk and Solvency Assessment (ORSA), which is a private, internal, forward-looking assessment of own risk, required as part of the Solvency II regime. The forward looking emphasis of the ORSA ensures that business strategy and plans are formulated with full recognition of the risk profile and future capital needs.

Analysis confirms that the Group has sufficient capital resources to cover its capital requirements and is operationally resilient.

The Directors have also considered the Group's ability to service its Preference shares, subordinated liabilities, and the expectations of its ultimate charitable owner,

Benefact Trust Limited. The Group has fixed annual dividend payments of £9.2m in respect of its Non-Cumulative Irredeemable Preference shares. The Group makes regular grants to its ultimate charitable owner, Benefact Trust Limited.

Confirmation of viability

Based on the Group's strong capital position, the strong risk management framework in place and the Group's resilience to the variety of adverse circumstances as demonstrated in the results of the stress testing and potential mitigating actions, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and be able to meet its liabilities over the three-year period of the viability assessment.

'The Group has a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing.'

Non-Financial Information Statement

Non-financial information

The Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed below:

Non-financial information	Disclosure	Section	Pages
Business model	Our business model and information on how we do business differently	Strategic Report – Our business model and strategy	13
Key performance indicators (KPIs)	Our KPIs set out how we are doing against our strategic goal	Strategic Report – Key performance indicators	36
Principal risks	Our key risks and their management	Strategic Report – Principal risks	48
Our policies	We have a range of policies and guidance in place to support the key outcomes for our stakeholders. These also ensure consistent governance on environmental matters, our employees, social matters, human rights and anti-bribery and corruption	See below	

Our key policies / statements of intent

Environmental matters

- We are committed to running the business in a sustainable way to tackle climate change and encourage others to do more.
- We assess performance against ClimateWise reporting which is aligned to Taskforce on Climate-related Financial Disclosures (TCFD) reporting.
- We aim to reduce our direct impact on the environment and seek to use renewable sources of energy.
- Other information on environmental matters is included within the Responsible Business Report.

Employees

- Our Code of Conduct policy is centred on 'Doing the right thing' and sets the standards of conduct and behaviour expected from employees.
- The Board aims to ensure it is comprised of persons who are fit and proper to direct the business. The Board's Diversity Policy sets out the approach to diversity in the leadership population.
- Other information on our commitments to supporting diversity and development is included in the socially positive section of the Responsible Business Report. Also included within the Corporate Governance Report is information about the composition and diversity of the Board.

Social matters

- We were founded over 135 years ago with a charitable purpose and this remains what motivates us today. We believe business has a social responsibility and

should give more to support charities and communities. More information about how we support our communities can be found in the Responsible Business Report.

- The Group does not make political donations.
- Our tax strategy supports our Group strategy and the ethical way we do business. We are committed to managing all aspects of tax transparently and in accordance with current legislation. We work to achieve the spirit of legislation and not just the letter of the law in each tax jurisdiction. Our tax strategy is available on www.ecclesiastical.com

Human rights, anti-bribery and anti-corruption

- The Board is committed to operating with honesty and integrity in all of our business activities and promoting an anti-bribery anti-corruption culture across the Group.
- We have established and uphold good practices regarding human rights, anti-corruption and anti-bribery through a range of measures including robust risk management, employee Code of Conduct and employee training on topics such as data protection, whistleblowing and vulnerable customers.
- We comply with relevant legislation concerning our supply chain – the Modern Slavery Act 2015 and the Payment Practices and Performance regulations – to drive good practice and transparency.
- The Responsible Business Report contains more information including our commitment to putting customers and partners at the heart of everything we do, focusing on good governance, service and support.

Section 172 Statement

The Directors confirm that during 2022 and to the date of this Report, they have acted to promote the success of the Company for the benefit of its members as a whole and considered the matters as set out in section 172(1)(a) to (f) of the Companies Act 2006.

Matter	Disclosed in
(a) the likely consequences of any decision in the long term	Our business model and strategy page 13 Strategy in action page 14 Board activities in 2022 page 80 Board leadership and Company purpose page 72
(b) the interests of the company's employees	Employee engagement and wellbeing page 21 Our Culture page 73 Diversity and Inclusion page 21 Board Diversity Policy page 89
(c) the need to foster the company's business relationships with suppliers, customers and others	Customers and partners part of the Responsible Business Report page 22
(d) the impact of the company's operations on the community and the environment	Charitable giving page 20 Environmentally positive page 26 Beneficiaries stories
(e) the desirability of the company maintaining a reputation for high standards of business conduct	Risk Management Report page 45 Internal controls page 84 Whistleblowing page 101 Modern Slavery Act declaration page 22
(f) the need to act fairly as between members of the company	Annual General Meeting information page 165 Stakeholder engagement page 75

This section describes how the Directors have had regard to those matters when performing their duties.

Our approach to the long-term success of the Company

The Directors recognise that the long-term success of the Company, and therefore our ability to continue to help people, charities and good causes, is dependent on having regard to the interests of its stakeholders at its heart. In order to achieve our strategic ambitions the Board understands how important it is to listen and respond to the needs of our stakeholders.

As a global financial services group driven by the ambition of transforming lives and communities, we are continually striving to do the right thing at all times. However, there are occasions where the needs of different stakeholder groups may not always be aligned. On these occasions, the Board attempts to balance the conflicting interests and impacts of our stakeholders in their decision-making.

Stakeholder engagement

Examples of the ways in which the Board has engaged with key stakeholder groups are provided in the Corporate Governance Statement on page 74.

Section Two

Governance

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Board of Directors



David Henderson (a) (b) (e)
Chair, Independent Non-Executive Director

David Henderson was appointed to the Board in April 2016. David began his career specialising in personal tax and UK trusts. He spent ten years as a banker with Morgan Grenfell and, following that, 11 years in financial services executive recruitment with Russell Reynolds Associates. He joined the Board of Kleinwort Benson Group plc as Personnel Director in 1995. He was appointed Chief Executive of Kleinwort Benson Private Bank Ltd (now Kleinwort Benson) in June 1997. He was Chairman of Kleinwort Benson from 2004 to 2008 and a Senior Adviser to the Bank until 2019. He holds several external Non-Executive Directorships.



Mark Hews
Group Chief Executive

Mark Hews was appointed Group Chief Executive in May 2013 and was previously Group Chief Financial Officer. He was appointed to the Board in June 2009 and appointed to the Board of MAPFRE RE in December 2013. He also became a Trustee of The Windsor Leadership Trust in November 2017. He was formerly a Director of HSBC Life and Chief Executive of M&S Life. Prior to this he was Finance Director at Norwich Union Healthcare. He started his financial career at Deloitte (formerly Bacon and Woodrow) as a consultant and actuary.



Denise Cockrem
Group Chief Financial Officer

Denise Cockrem was appointed Group Chief Financial Officer in December 2018 and joined the Board in September 2019. Denise is a Chartered Accountant with significant industry experience, predominantly in financial services. She spent her early career in corporate finance and banking roles for EY, Barclays, RBS and Direct Line. She then joined RSA as Group Financial Controller, spending nine years with them in various roles culminating in UK & Western Europe Finance Director. Denise most recently held the position of Chief Financial Officer at Good Energy Group plc, an AIM-listed renewable energy company who provide 100% renewable electricity and carbon neutral gas. In July 2022 Denise was appointed as a Non-Executive Director of ITM Power plc, an AIM-listed company which designs and manufactures hydrogen energy solutions to enhance the use of renewable energy. She is also a Trustee of MacIntyre Academy Trust, which provides special schools and specialist alternative provision for children and young people. Denise was a Non-Executive Director of the Skipton Building Society from 2015 to 2021.



S. Jacinta Whyte
Deputy Group Chief Executive

Jacinta Whyte was appointed Deputy Group Chief Executive and joined the Board in July 2013 with responsibility for the Group's General Insurance business globally. She was also appointed to the Ansva Australia Board during 2013. Jacinta joined Ecclesiastical in 2003 as the General Manager and Chief Agent of the Group's Canadian business, a role that she continues to hold. Having commenced her career as an underwriter for RSA in Dublin in 1974, she moved with them to Canada in 1988, holding a number of senior executive positions in both Ireland and Canada.

Key to membership of Group Board Committees

- (a) Group Finance and Investment
- (b) Group Nominations
- (c) Group Risk
- (d) Group Audit
- (e) Group Remuneration



Chris Moulder (b) (c) (d)
Senior Independent Non-Executive Director

Chris Moulder was appointed to the Board in September 2017. Chris is also a Director of the Company's ultimate parent, Benefact Trust, as well as the Insurance Board of Lloyds Banking Group and Tokio Marine Kiln. Chris retired in 2017 after five years at the Bank of England as Director of General Insurance at the Prudential Regulation Authority. Prior to this he had spent 26 years with KPMG as a partner in its Financial Sector practice.



Francois-Xavier Boisseau (a) (c) (d)
Independent Non-Executive Director

Francois-Xavier Boisseau was appointed to the Board in March 2019. Francois-Xavier has more than 30 years' experience working in the insurance industry, 25 years in the UK. He was CEO of Insurance Ageas (UK) until December 2018. Prior to that Francois-Xavier was CEO of Groupama and CEO of GUK Broking Services as well as being Non-Executive Chairman of Lark, Bollington and Carole Nash. In addition to his board position at Benefact Group, Francois-Xavier is also Chairman of IQUW Syndicate Managing Agency Ltd.



Rita Bajaj (a)
Independent Non-Executive Director

Rita was appointed to the Board in July 2021. She is a Non-Executive Director, Board, and IGC member with over 30 years' broad investment markets experience. Previously, she held senior investment positions at Global and UK Asset Managers, heading US investment teams at Royal London and Invesco Perpetual. She was EMEA Chief Administrative Officer at custodian State Street, and she is also a former FCA regulator. Currently, Rita is a Board and Investment Panel member for the London Pension Fund Authority (LPFA), Non-Executive Director on Columbia Threadneedle OEIC Boards and an Independent Governance Member for Hargreaves Lansdown's workplace SIPP Independent Governance Committee and a Non-Executive Board, Audit and Investment Committee member and Consumer Duty Champion of Wesleyan Assurance.



Sir Stephen Lamport (c) (e)
Independent Non-Executive Director

Sir Stephen was appointed to the Board in March 2020. He is the Vice Lord-Lieutenant of Surrey and a Senior Adviser at Sanctuary Counsel. He is a Director of Benefact Trust; Vice-President of the Community Foundation for Surrey; and Chair of the Painshill Park Trust; Chair of the British Red Cross UK Solidarity Fund Committee; and is the Deputy High Bailiff of Westminster Abbey. He has now retired as a Court member of the St Katharine's Foundation. Sir Stephen was the Receiver General of Westminster Abbey from 2008 to 2018, and previously a Group Director of the Royal Bank of Scotland for five years. He was Deputy Private Secretary to The Prince of Wales from 1993, and Private Secretary and Treasurer from 1996 to 2002. From 1994 to 2002 he was a member of HM Diplomatic Service, with overseas postings in New York, Tehran and Rome.

Key to membership of Group Board Committees

- (a) Group Finance and Investment
- (b) Group Nominations
- (c) Group Risk
- (d) Group Audit
- (e) Group Remuneration



Neil Maidment (c) (d) (e)
Independent Non-Executive Director

Neil Maidment was appointed to the Board in January 2020. Neil is an Independent Non-Executive Director at Lloyd's of London and a member of the Council of Christ's Hospital. He has over 35 years' experience in the insurance market. He was previously a Director of Beazley plc and was Chief Underwriting Officer of the company and Active Underwriter of its Lloyd's syndicates from 2008 to 2018. He was Chairman of the Lloyd's Market Association from 2016 to 2018 and served as an elected working member of the Council of Lloyd's during the same period.



Angus Winther (a) (b) (e)
Independent Non-Executive Director

Angus Winther was appointed to the Board in March 2019. Angus co-founded Lexicon Partners, a London-based investment banking advisory firm, where he specialised in advising clients in the insurance and financial services sectors. He was closely involved in Lexicon Partners' leadership until it was acquired by Evercore in 2011 and served as a Senior Adviser at Evercore until October 2016. He is currently a Non-Executive Director and Chair of the Audit Committee at Trinity Exploration & Production plc and a Non-Executive Director of Lloyd's managing agent, Hiscox Syndicates Limited. Angus is also Churchwarden of Holy Trinity Brompton, Deputy Chair of the Church Revitalisation Trust and a trustee of St Mellitus College Trust and St Paul's Theological Centre.



Andrew McIntyre (c) (d)
Independent Non-Executive Director

Andrew McIntyre was appointed to the Board in April 2017. Andrew is the Senior Independent Director of C. Hoare & Co where he chairs the Audit, Risk and Compliance Committee, and an independent Non-Executive Director of Lloyds Bank Corporate Markets plc and of Target Group Limited, where he also chairs the Audit Committee. He is a trustee of the Foundling Museum. Previously, Andrew was for 28 years a partner in EY, and was for nine years Chairman of the Board of Southern Housing Group, one of the largest housing associations in the UK. He was an Independent Non-Executive Director of National Bank of Greece S.A. and chaired its Audit Committee.

**'As a Board,
we are committed
to applying
the highest
standards of
corporate
governance.'**

Key to membership of Group Board Committees

- (a) Group Finance and Investment
- (b) Group Nominations
- (c) Group Risk
- (d) Group Audit
- (e) Group Remuneration

Board composition as at 16 March 2023

Balance of Non-Executive Directors and Executive Directors



2022



2021

Gender Balance

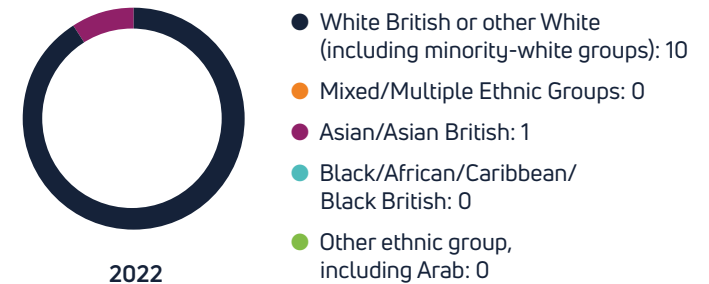


2022

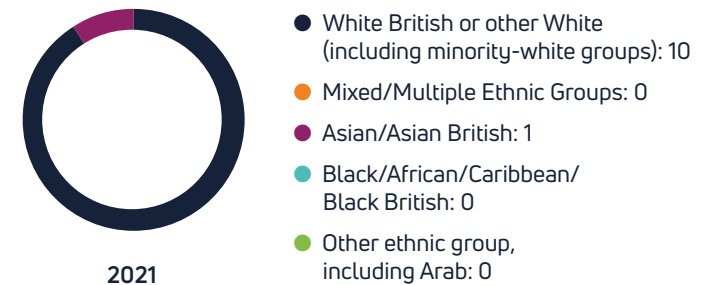


2021

Ethnicity



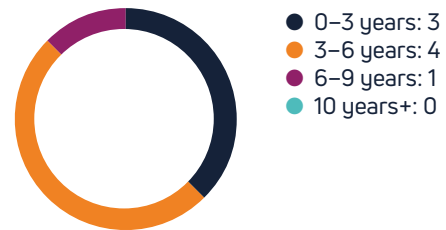
2022



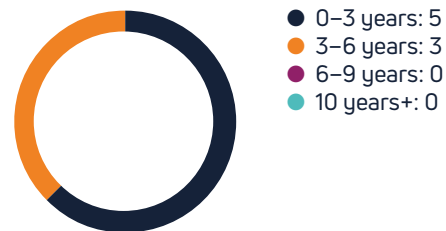
2021

Board composition as at 16 March 2023

Length of Tenure (Chairman and Non-Executive Directors)

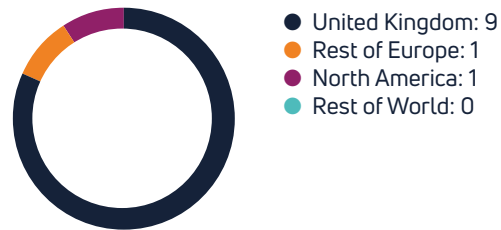


2022

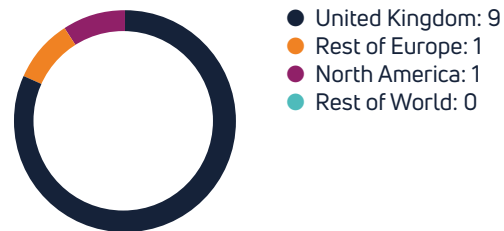


2021

Geographical Mix



2022



2021

Age



2022



2021

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ending 31 December 2022.

Information incorporated by reference

The Directors' Report required under Companies Act 2006 comprises this report and other disclosures contained in the Strategic and Governance Reports and the Notes to the consolidated financial statements which are incorporated by reference and include the following information:

Information	Reported in
Business model	Our business model and strategy
Corporate Governance Statement	Corporate Governance Report
Financial instruments	Note 22
Important events since 31 December 2022	Strategic Report and Note 39
Future developments	Strategic Report
Research and development	Strategic Report
Employee engagement and involvement	Responsible Business Report
Stakeholder engagement	Strategic Report Corporate Governance Report
Greenhouse gas emissions and energy consumption	Responsible Business Report
Going Concern and Viability Statement	Page 58
Diversity and Inclusion	Responsible Business Report
Section 172 Statement	Page 61
Principal risks and uncertainties	Risk Management Report

Company status and branches

Ecclesiastical Insurance Office plc is incorporated and domiciled in England and Wales (registration number 00024869). The registered address of the Company is Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester GL3 4AW. The Company has branches in Canada and Ireland.

Principal activities

The Group operates principally as a provider of general insurance in addition to offering a range of financial services. Details of the subsidiary undertakings of the Company are shown in note 36 to the financial statements.

Ownership

At the date of this report, the entire issued Ordinary share capital of the Company and 4.35% of the issued 8.625% Non-Cumulative Irredeemable Preference Shares of £1 each ('Preference shares') were owned by Benefact Group plc. In turn, the entire issued Ordinary share capital of Benefact Group plc was owned by Benefact Trust Limited, the ultimate parent of the Group.

Directors and their interests

The Directors of the Company during the year and up to the date of this report are set out on pages 63 to 65 alongside the biographies of those Directors currently serving on the Board.



'The Group operates principally as a provider of general insurance in addition to offering a range of financial services.'

As set out in the Notice of Meeting, all Directors who have served since the last annual general meeting (AGM) will be proposed for re-election except for Andrew McIntyre who will retire at the AGM. All Directors seeking re-election were subject to a formal and rigorous performance evaluation, further details of which can be found in the Group Nominations Committee Report. Details of Directors' service contracts are set out in the Directors' Remuneration Report.

Neither the Directors nor their connected persons held any beneficial interest in any Ordinary shares of the Company during the year ended 31 December 2022 and to the date of this report.

The interests of the Directors and their connected persons in the Preference share capital of the Company as at 31 December 2022 and to the date of this report are shown below:

Director	Nature of interest	Number of Non-Cumulative Irredeemable Preference Shares held
Mark Hews	Connected person	75,342
Denise Cockrem	Connected person	32,020

The Board has a documented process in place in respect of conflicts.

Indemnities and insurance

In accordance with the Company's Articles and to the extent permitted by law, the Company indemnifies each of its Directors and Directors of any associated company against certain liabilities that may be incurred because of their positions. In addition, the Company maintains Directors' and Officers' liability insurance. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Employees

The Group is committed to nurturing a culture and work environment in which all colleagues can fulfil their potential. Our Equality and Diversity Standard and Guidance sets our expectations for an open and inclusive workplace and we place the care and wellbeing of all our colleagues at the heart of our employment policies.

Throughout the employee lifecycle from recruitment onwards, we carefully consider adjustments to our processes and practices and look for solutions to remove barriers for those employees with disabilities.

When needed, we engage with third-party and Occupational Health specialists who provide us with expert advice and ensure we are offering the best support we can. Through our adjusted work approach we provide an environment in which disabled colleagues can fully participate in all opportunities provided by the Group from continued employment to training, job moves and promotions.

We offer a range of support for colleagues to help them maintain a healthy work and home life, including flexible working practices, virtual GP service, Employee Assistance Programme, Flu Vaccinations and Eye tests as well as a wide variety of flexible benefits such as dental care and critical illness insurance.

Information on employee engagement and wellbeing is provided in the Responsible Business Report.

Dividends

Dividends paid on the Preference shares were £9,181,000 (2021: £9,181,000).

The Directors do not recommend a final dividend on the Ordinary shares (2021: £nil), and no interim dividends were paid in 2022 and 2021. An interim dividend in specie of the entire issued share capital of EdenTree Investment Management Limited of £4,651,000 and Ecclesiastical Financial Advisory Services Limited of £572,000 was made on 3 January 2023.

Political donations

The Group policy is that no political donations be made or expenditure incurred. No political donations were made in the year (2021: £nil).

External auditor

The Group Audit Committee reviews the appointment of the auditor, including the auditor's effectiveness and independence, and recommends the auditor's reappointment and remuneration to the Board.

Having reviewed the effectiveness of the external auditor, the Group Audit Committee recommended the reappointment of PricewaterhouseCoopers LLP to the Board. Further details are disclosed in the Group Audit Committee Report.

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditor of the Group will be put to the forthcoming AGM.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information that the auditor is unaware, that could be needed by the auditor in order to prepare their report.

Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that they ought to have taken as a Director, in order to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting

A copy of the Notice for the 2023 AGM is available on page 165.

Statement of Directors' Responsibilities for the Annual Report and the financial statements

The Directors are responsible for preparing the 2022 Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Directors' confirmations

The Directors consider that the 2022 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 63 and 65 confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the loss before tax of the Group in the year; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

David Henderson
Chair
16 March 2023

Mark Hews
Group Chief Executive
16 March 2023

Corporate Governance Report

Introduction from the Chair

Dear Stakeholder

I am delighted to introduce the Corporate Governance Report. I believe that good corporate governance is important and even more so during these challenging economic times.



Our approach to governance

As a Board, we are committed to applying the highest standards of corporate governance and believe that the affairs of the Company should be conducted in accordance with best business practice. Consequently, although the Company does not have shares with a premium listing on the London Stock Exchange we have chosen to voluntarily comply with the Principles and Provisions of the 2018 UK Corporate Governance Code (the Code) where possible. A copy of the Code can be found on the FRC's website.

I am pleased to report that from 1 April 2022, we are fully compliant with the principles and provisions of good governance contained in the Code where possible. Further information on our Code compliance is provided in the following table:

Provision	Current status / Explanation
4: When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result.	Given the Company's entire issued Ordinary share capital is owned by Benefact Group plc whose directors mirror those of the Company, it is deemed inappropriate to comply with the provisions relating to outcomes from shareholder votes.
36: Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests.	Given the Company does not have listed equity shares we are unable to comply with the shareholding requirements for Executive Directors.
38: The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.	From 1 April 2022, we were fully compliant with this provision as the Group Chief Executive pension contribution rate was aligned to that of the wider workforce. Further information is contained in the Directors' Remuneration Report.

Areas of Board and Committee focus

2022 proved to be another busy year for the Board and its Committees which culminated in the corporate restructure of the Group. We have also overseen the business plans and strategic initiatives for the Group and a variety of other activities as set out on page 79 and in the Committee reports. In particular, the year saw the completion of the strategic remuneration review, development of the climate change strategy and Consumer Duty Implementation Plan.

2023 will be focused on realising the growth ambitions of the Group. In addition, the Board will look to implement actions in response to the externally facilitated Board Effectiveness Review and ensure a smooth handover of responsibilities to the new Group Audit Committee Chair when Andrew McIntyre steps down from the Board. As noted in the Group Nominations Committee Report, we will continue the search for a new Non-Executive Director.

AGM and re-election of Directors

This year our AGM will be taking place on 22 June 2023. A copy of the Notice for the AGM is available on page 165.

In accordance with the Code and as set out in the Notice of Meeting, all Directors who have served since the last AGM will be proposed for re-election (except for Andrew McIntyre). I can confirm that all Directors seeking re-election were subject to a formal and rigorous performance evaluation, further details of which can be found in the Group Nominations Committee Report.

David Henderson
Chair
16 March 2023

Board leadership and Company purpose

Role of the Board

The Board is responsible to the Group's shareholders for the long-term success of the Group, its purpose, values, strategy, culture and its governance. Great importance is placed on a well-informed and decisive Board, and Board meetings are scheduled and held regularly throughout the year.

The Board sets annual objectives for each year in addition to setting the Group's strategic direction. These are implemented through approval and regular assessment of the business plan and strategy process.

It is the Board's policy to record any unresolved concerns about the running of the Company or any proposed action in the Board minutes. During 2022, no Director had any such concerns.

Purpose, values and strategy

The Group's purpose is to contribute to the greater good of society. In particular, the Group strives to improve the lives of customers, beneficiaries and society as a whole. This is achieved by managing a portfolio of businesses that operates on the highest ethical principles. It seeks to diversify and bring an ethical dimension to more aspects of society; and all of its businesses need to set a high bar, putting its customers first and setting an example to others.

As a unique company, with a unique purpose, we know that our success is not just about what we do, it's how we do it that makes the real difference. The way that we work is based upon our Group Values. They underpin our vision, ambition and strategy and they are the common thread that binds our family of businesses together.

Our business model and strategy provides more details.

Culture

The Board is responsible for setting the right values and culture within the Group and ensuring the fair treatment of customers, which is outlined in the table.

Every colleague contributes to building and sustaining our culture through the way we behave with each other, our business partners, clients, customers and communities.

Our values are embedded across the Group's employee lifecycle, from recruitment through to performance management, our behaviour model, personal development and communications. The culture of the Group is monitored and assessed through the employee survey results and individually through the assessment of performance which also informs reward outcomes.

We are a group that CARES

Collaborating and welcoming



- We're a family of diverse businesses united in a common purpose sharing our vision, values, culture and behaviours
- We all belong – welcome and inclusion run through everything we do
- Our diversity makes us stronger, more connected with each other, our customers and communities
- We're willing to listen, we trust our colleagues and value their perspectives and experience
- We break down barriers where we spot them to engage with each other and work together to get the job done

Ambitious and pioneering



- We're driven to outperform our ambitious business goals by being bold, brave, agile and innovative
- We're competitive and commercial with exceptionally high standards of customer service
- We nurture new ideas and innovation – listening, learning, adapting and leading the way
- We have high expectations of each colleague's performance, supported by a clear sense of direction and coaching
- We take personal responsibility for the way we act and for delivering our commitments
- We celebrate every kind of success and reward people for positive results

Responsible and sustainable



- We're building a long-term, sustainable legacy
- We maintain the highest ethical principles that we apply to all aspects of our business
- We actively manage our impacts on the environment, locally and globally
- We embrace our responsibilities to our colleagues, customers, charities and communities
- We can be trusted to do the right thing

Expert and specialist



- We nurture specialist expertise across the Group
- We seek to really understand our customers and their needs so we can find the right solutions for them
- We invest in our colleagues' personal growth to enable them to reach their potential
- We understand and fully utilise our individual strengths, skills and knowledge
- We get out of each other's way and trust our specialists to deliver

Supporting and Caring



- We grow our business so we can give our profits to good causes
- We're proud to be a commercial company with a charitable purpose
- We're caring, kind, empathetic people
- We all passionately believe in improving the lives of people in our communities
- Our culture of giving (money, time and kindness) makes a difference, locally and globally

Stakeholder engagement

Below is an overview of our approach to stakeholder engagement:

Why are our stakeholders so important to us?	What matters to them?	What engagement has taken place and outcomes?	What are the 2022 highlights?	Where can more information be found?
Colleagues The Board recognises that employees are the Group's greatest asset given their specialist skills and knowledge and propensity to go above and beyond.	<ul style="list-style-type: none"> - Fair pay and reward - Health and wellbeing - Flexible working practices - Diverse and inclusive workplace - Opportunities for training, development and progression - Making a positive impact on society 	<p>Members of the management team and subject matter experts are invited to Board and Committee meetings to present on items and input into discussion.</p> <p>Directors also visit subsidiaries and other SBUs and project teams to gain a good understanding of colleagues' views.</p> <p>In order to engage, involve and inform colleagues, a range of methods as set out below are used:</p> <ul style="list-style-type: none"> - Sir Stephen Lamport, as the designated Non-Executive Director for employee engagement, is briefed on associated survey results and findings are reported to the Board; - A variety of communication channels including intranet, all colleague emails (including weekly news, results, achievements and changes), briefings, conferences, publishing financial reports and feedback and discussion is adopted (including to make colleagues aware of financial and economic factors affecting the performance of the Company); - Colleague engagement surveys adopting the B-Heard Survey provided by an external partner, Best Companies; - During the year colleagues undertake training to support the accessibility and understanding of our whistleblowing policy, procedure and approach to ensure they feel safe to speak up and challenge when needed; - Direct engagement and consultation through colleague representative forums including the Group's recognised Union and Employee Working Groups such as the Diversity and Inclusion working group; - 'Town Hall' meetings are hosted virtually by senior management where colleagues can ask questions and provide feedback; - A performance-related bonus scheme is operated, which directly links individual objectives and business performance to encourage employees to participate in the overall financial success of the Group; and - A range of training, development and volunteering activities are available to colleagues, including technical courses, mentoring, coaching and community opportunities. 	<ul style="list-style-type: none"> - Feedback from employee surveys - Review of workforce policies and practices - Code of Conduct - Group-wide performance management process launched - Health and Safety Report - Service of Thanksgiving - 2022 Leadership Conference - Leadership update and showcase sessions - Twice yearly manager briefings - Brand launch celebration - CEO presentations in Australia, Canada and Lycetts - Video collateral including brand launch, leadership conference speakers, "The Time is Now" - Benefact Family company fact sheets - Living Wage Employer - Financial Wellbeing Award - NED visits 	Responsible Business Report

Why are our stakeholders so important to us?	What matters to them?	What engagement has taken place and outcomes?	What are the 2022 highlights?	Where can more information be found?
Suppliers (including brokers) The Board recognises the importance of the role that suppliers play in ensuring a reliable service is delivered to customers and the need to have a strong working relationship.	<ul style="list-style-type: none"> - Collaborative approach - Open terms of business - Fair payment terms - Responsible supply chain - Communication 	<p>The Board supported by the Group Risk Committee approved the refreshed Outsourcing and Procurement Policies. In addition, the Responsible Business Overarching Policy which covers all aspects of behaviour and conduct and sets out our approach which is designed to deliver a positive social and environmental impact was developed.</p> <p>Awareness sessions have been provided to colleagues managing supplier relationships on their responsibilities under the Outsourcing Policy including consideration of associated regulatory requirements.</p>	<ul style="list-style-type: none"> - Average payment term was 29 days - Responsible Business Overarching Policy - Published our Modern Slavery Statement - Service of Thanksgiving 	Responsible Business Report
Regulators and Government The Board recognises the importance of open and honest dialogue with Regulators (including those in the UK, Australia, Canada and the Republic of Ireland) and is committed to complying with applicable legislation and regulation in order to maintain standards of business conduct.	<ul style="list-style-type: none"> - Outcomes for customers - Operational and financial resilience - Openness and transparency - Compliance with legislation and regulation 	<p>The Board (via its Committees) receives regular reports detailing the Group's regulatory interactions. Regular reports are also received on the evolving legal and regulatory landscape incorporating a detailed impact and progress assessment.</p>	<ul style="list-style-type: none"> - Legal and Regulatory Report 	

Why are our stakeholders so important to us?	What matters to them?	What engagement has taken place and outcomes?	What are the 2022 highlights?	Where can more information be found?
Shareholder and investors The Board understands the need to maintain a close and open relationship with shareholder and investors characterised by transparency and mutual understanding.	<ul style="list-style-type: none"> - Financial performance and returns - Strategy and business model - Environmental, Social and Governance (ESG) performance - Reputation - Strong leadership 	<p>Benefact Group plc owns the entire issued Ordinary share capital of Ecclesiastical Insurance Office plc. The Directors of the Boards of both companies are identical. Benefact Group plc in turn is wholly owned by Benefact Trust Limited with whom the Board has an open and constructive relationship.</p> <p>Protocols for the exchange of information between Benefact Trust Limited and Benefact Group plc and its subsidiaries (including Ecclesiastical Insurance Office plc) are in place and cover performance, operations and financial position. There is at least one 'Common Director' (i.e. a Director who is a member of the Boards of Benefact Trust Limited, Benefact Group plc and Ecclesiastical Insurance Office plc) who is expected to attend every Board meeting.</p> <p>The Common Directors present a summary of highlights from Benefact Trust Limited Board meetings to the Directors. There is also engagement between respective Board and Committee Chairs and the Group Chief Executive Officer. Regular dialogue takes place on Benefact Trust Limited's expectations of the Group and strategy for the development of the business. This ensures that the views of Benefact Trust Limited are communicated to the Board as a whole. In turn, the Common Directors are able to support the Directors of Benefact Trust Limited to understand the performance and strategic issues faced by the Company. A conflict of interest policy which sets out how actual and perceived conflicts of interest between the two companies are managed is in place.</p> <p>When determining if it is appropriate to make a distribution in the form of a grant to the Company's ultimate parent undertaking, Benefact Trust Limited, the Board considers advice from the Group Chief Financial Officer. A key area for the Board's deliberation is the Company's capital position and the affordability of the grant based on a range of stressed circumstances as well as the views of the Chair of Benefact Trust Limited.</p>	<ul style="list-style-type: none"> - Grants amounting to £20m were paid to Benefact Trust Limited - Dividends - Annual General Meeting - Revised protocols for the exchange of information agreed - Annual Report and Accounts - Full and half year results announcements - RNS Announcements - Service of Thanksgiving 	<p>Our business model and strategy</p> <p>Strategy in action</p>

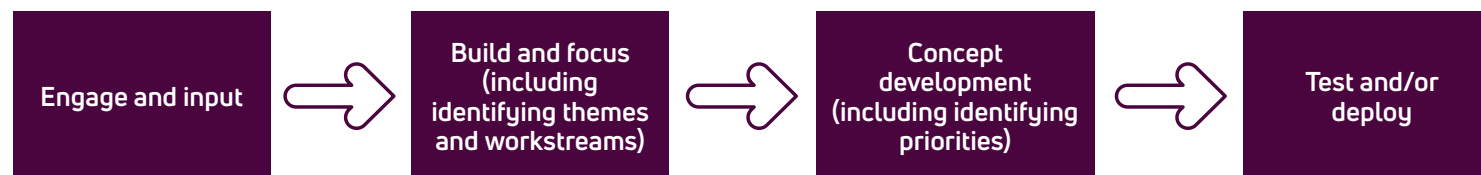
Why are our stakeholders so important to us?	What matters to them?	What engagement has taken place and outcomes?	What are the 2022 highlights?	Where can more information be found?
Communities (and environment) The Board is committed to doing business differently and building a movement for good across society, transforming lives and communities.	<ul style="list-style-type: none"> - Charitable giving - Health and Safety - Employment, economic and societal contribution - Environmental impact of operations 	<p>The Board oversaw arrangements for the Service of Thanksgiving held at Westminster Abbey to celebrate the giving of over £100 million to good causes and considered feedback from the event. It was attended by a range of our stakeholders including beneficiaries of our charitable giving. The service offered an uplifting opportunity for stakeholders to meet and engage. Further information on the Service of Thanksgiving can be found in the Strategic Report.</p> <p>During the year, the Board has received regular updates on our charitable giving and areas of focus. In addition, the Directors have also had the opportunity to visit beneficiaries of the Group's charitable giving to see first hand their work, which has enabled the Board to better understand their needs.</p>	<ul style="list-style-type: none"> - Charitable donation made during the year of £22.7m (2021: £23.5m) - Service of Thanksgiving - Movement for Good Awards - MyGiving - 3rd largest corporate donor in the UK - Charity visits - Produced full carbon footprint and externally shared net zero ambitions 	Chair's Statement Responsible Business Report
Customers The Board considers that customers should be at the heart of everything we do, treating them fairly and ethically and ensuring any actions or decisions demonstrate our passion for customers and make us first choice for customers both today and in the future.	<ul style="list-style-type: none"> - Customer experience - Specialist expertise and guidance - Products which represent fair value and are clear and easy to understand - Fair pricing 	<p>During the year, the Board received updates on customer matters via the Group Chief Executive's Report and business updates. In particular, the Board considered challenges faced by customers in these uncertain times and whether the Company could provide any additional support given the Group's purpose.</p> <p>The Group has regular engagement with customers (including conducting listening exercises, surveys, holding focus or consultative groups, monitoring customer complaints and satisfaction data) and key outcomes are shared with the Board. Our commitment to customers and clients is further demonstrated by the tailored Customer Promises that have been developed for key SBUs.</p>	<ul style="list-style-type: none"> - External recognition - Francois-Xavier Boisseau appointed as Consumer Duty Champion - Consumer Duty Implementation Plan - Service of Thanksgiving 	Chief Executive's Report Responsible Business Report

Stakeholder engagement in decision-making

The Board adopts a range of approaches to engage with stakeholders and recognises that the importance of a stakeholder group may differ depending on the matter being considered. Given the nature of the business, the Board sometimes engages directly with stakeholders and also understands that it may be more appropriate for engagement to be undertaken at an operational level.

The Board considers a variety of information to understand the impact of the Company's operations and the interests and views of key stakeholders. A one-year rolling plan of business for discussion is agreed annually to ensure that the Board is focused on the right issues at the right time and sufficient time is allowed for appropriate consideration and debate. Information is provided to Directors in papers in advance of each meeting. People from the business are invited to attend meetings to provide insight into key matters and developments. At each Board meeting, the Directors discuss strategic and business matters, financial, operational and governance issues and other relevant issues that arise. In addition, the Chair of each Committee provides a verbal report to the Board on proceedings of those meetings including areas of discussion and any recommendations. Because of this, the Board has an appreciation of engagement with stakeholders and other relevant matters, which enables the Directors to comply with their legal duties.

Stakeholders in action



Approval of the Group restructure

How did the Board consider stakeholders?

A range of perspectives were sought including from the ordinary shareholder and colleagues. Discussion focused on capital, tax, regulatory, governance and oversight matters. The Board determined that reflecting the divisional structure comprising investment, insurance, and broking and advisory was deemed the most suitable for all stakeholders.

How does this link to the business model, strategy and the long-term success of the Company?

This links to our “energise” strategic theme to create an environment where everyone has the space to grow and perform to fulfil their potential. We believe the new corporate structure will provide greater clarity of focus and increase business agility through streamlined governance. It will also enable us to deliver on our purpose so that we can give more to charities and communities across all our markets and allow us to make a difference to the lives of so many.

Approval of the Consumer Duty Implementation Plan and Champion

How did the Board consider stakeholders?

The Board reflected on the FCA's strategy to reduce customer harm in financial services which created obligations on the firm and its employees to ensure customers receive good outcomes. Areas of consideration included product governance, service governance, communications, monitoring and training and conduct. Discussion focused on the needs of customers and regulatory expectations in the context of the Group's culture, governance and controls.

How does this link to the business model, strategy and the long-term success of the Company?

This links to our “invest” strategic theme by investing in our specialist capabilities for the benefit of our customers and to deliver value for the Group. It will also support our desire to be the most trusted specialists.

Board activities in 2022

The key activities considered by the Board during the year are set out below.

Key stakeholders

- Customers
- Communities
- Colleagues
- Shareholders and investors
- Suppliers (including brokers)
- Regulators and Government
- Sustainability and the environment

Strategy and performance

Group Chief Executive's Report



- The CEO led discussions on general business performance and key strategic initiatives

Benefact Trust updates



- Received regular reports from the shareholder

Ukraine crisis



- Discussed implications of the war

Business updates



- Received business and performance updates from business areas including Canada, Ireland and Churches

Strategic reviews

At each meeting, the Board had focused discussion on matters of strategic significance to evaluate progress, provide insight and where necessary take appropriate action as shown below:

Ansvar Australia



- Discussed the assessment of Ansvär Australia's performance, its strategic outlook and future opportunities and challenges

UKGI systems



- Considered and challenged progress made in implementing the combined policy administration, reinsurance and claims platform

Group corporate restructure



- Approved changes to the Group legal structure

Climate change



- Received regular sustainability champion updates

Financial

Group Chief Financial Officer's Report

- The CFO led discussions on financial performance across the Group including rating agency considerations, IFRS 17 and the tax strategy

Results and regulatory disclosures

- On recommendation of the Group Audit Committee, reviewed and approved the Annual Report and Accounts and the half and full year results announcements
- Reviewed and approved the Solvency and Financial Condition Report (SFCR)

Cash flow and dividends

- Considered the dividends to be paid to the holders of the 8.625% Non-Cumulative Irredeemable Preference Shares of £1 each
- Considered making distributions in the form of a grant to the Company's ultimate parent Benefact Trust Limited

Capital, costs and budget

- Agreed the Group Corporate Strategy and Business Plans 2023-25

Group reinsurance arrangements

- Received an update on the renewal season including market conditions and reinsurance arrangements put in place

Financial resilience

- Reviewed the going concern assessment and viability statement
- Considered the GI Claims Reserve Adequacy

General insurance underwriting

- Received reports from the Chief Underwriting Officer on the performance and health of the general insurance underwriting portfolios

Investment strategy update

- Received updates on the review of the investment strategy

Governance, legal and regulatory

Board succession and diversity

- On recommendation from the Group Nominations Committee, assessed the independence of the Non-Executive Directors
- Approved changes to Committee composition including Chairs of the Group Risk and Audit Committees
- Approved the refreshed Board Diversity Policy

Board effectiveness

- Approved objectives for 2022 and monitored progress during the year
- Approved changes to Committee terms of reference

Governance, legal and regulatory

- Approved the resolutions to be put to the shareholder at the AGM
- Considered Directors' Conflicts of Interest
- Determined Non-Executive Directors' fees
- Considered operational resilience
- Considered reports from the Actuarial Function Director
- Approved the Consumer Duty Implementation Plan and Champion

Policies

- Supported by its Committees, the Board reviewed a range of policies including those linked to HR, Outsourcing, Dividend and the Internal Model

Colleagues, culture and values

Culture

- Considered updates on people, engagement and performance
- Reviewed the annual Health and Safety report

We All Belong – Integrated Diversity & Inclusion

- Considered the update on the approach, activities and data in relation to Diversity and Inclusion and associated strategic initiative

Thanksgiving Service

- Oversaw arrangement for the Service of Thanksgiving and reviewed feedback from a range of stakeholders

Charitable purpose

- Considered regular updates on the charitable purpose and mission (including consideration of the Grant Policy in Canada and Australia)

Risk management

Group ORSA

- Approved the Own Risk and Solvency Assessment

Effectiveness of internal controls

- Reviewed the internal controls in place across the Group and determined their effectiveness

Group Risk Framework and Appetite

- Approved the Group Risk Framework and Group Risk Appetite

Continuous Professional Development, training and site visits

Board CPD sessions

During the year the Board received dedicated sessions on IFRS 17; the Internal Model and climate change

Site visits

In 2022, Directors resumed site visits to enable them to deepen their knowledge and understanding of the Group. Sites visited during the year included Australia, Canada and Ireland

Whistleblowing

The Board (via the Group Audit Committee) is responsible for reviewing the Group's Whistleblowing Policy and Procedures and receives regular updates from the Chair of that Committee. More information is contained within the Group Audit Committee Report.

Conflicts of Interest

A Register of Directors' Conflicts is maintained by the Group Company Secretary to monitor and manage any potential conflicts of interest.

Training on the Companies Act 2006 has been given to all Directors and Directors are regularly reminded of their duties.

Any conflicts are declared at the first Board meeting at which the Director becomes aware of a potential conflict and then recorded in the Conflicts Register. The Board considers all conflicts in line with the provisions set out in the Company's Articles. The Directors are required to review their interests recorded in the Conflicts Register on a biannual basis.

In addition, the Board oversees the procedure for managing actual and potential conflicts of interest in the trading relationship with brokers and the general insurance business. It is underpinned by the desire to put the customer interest at the forefront of their dealings and seek to deliver the best customer outcome.

It is the Board's policy to record any unresolved concerns about the running of the Company or any proposed action in the Board minutes. During 2022, no Director had any such concerns.

Division of responsibilities

There is a division of responsibilities between non-executive and executive roles to ensure appropriate oversight and accountability. These roles and responsibilities are clearly defined, set out in writing, and reviewed by the Board. The roles of the Chair and Group Chief Executive are undertaken by separate individuals as set out in the Governance Structure

Chart. In addition, the Board has designated Non-Executive Directors as Champions for Workforce Engagement, Climate Change and Consumer Duty.

David Henderson met with the Non-Executive Directors without the Executive Directors present on a number of occasions throughout the year. Mark Hews regularly meets with the Group Management Board to attend to the operational management of the Group. Any matters of significance are communicated to Directors outside of the Board meeting schedule.

Governance structure

Documents available at <https://www.ecclesiastical.com/>

Articles of Association		Matters Reserved to the Board		Committee Terms of Reference	
The Board The Board’s role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls which enables the risks that the Group faces to be assessed and managed. The Board sets the Group’s high-level strategic aims, ensures that the necessary financial and human resources are in place for it to meet its objectives and reviews management performance. The Board sets the Group’s values and standards and ensures that its obligations to its customers, its shareholders and other stakeholders are understood and met.					
Chair, David Henderson The Chair is responsible for the active leadership of the Board, ensuring its effectiveness in all aspects of its role. The Chair is pivotal in creating the conditions for overall Board and individual Director effectiveness, setting clear expectations concerning the style and tone of Board discussions, ensuring the Board has effective decision-making processes and applies sufficient challenge to major proposals.		Senior Independent Director, Chris Moulder The Senior Independent Director supports and acts as a sounding board for the Chair and is responsible for overseeing the governance practices of the Company and leading the Directors in their appraisal of the Chair. Along with the Chair, the Senior Independent Director is the primary contact for the shareholder and they meet regularly with the shareholder to share and understand views.		Non-Executive Directors, Rita Bajaj, Francois-Xavier Boisseau, Sir Stephen Lamport, Neil Maidment, Andrew McIntyre, Angus Winther Non-Executive Directors have a responsibility to uphold high standards of integrity and probity including acting as both internal and external ambassadors of the Company. As part of their role as members of a unitary board, Non-Executive Directors should constructively challenge and help develop proposals on strategy.	
The Board delegates certain matters to its five principal Committees, which report to the Board after each meeting					
Group Audit Committee Oversees financial, climate, non-financial and regulatory reporting processes; internal controls; whistleblowing arrangements; tax strategy and policies; internal audit function; and manages the relationship with the external auditor.	Group Finance and Investment Committee Oversees the management of certain of the Company’s financial assets (including its investment portfolio) to ensure it is properly governed, controlled and performing as expected within agreed risk parameters. It also reviews and advises on any major financial decisions on behalf of the Board.	Group Risk Committee Oversees the Risk Management Framework including risk appetite and tolerance; the risk and compliance functions; and reviews prudential risk (including overseeing the Internal Model, conduct risk and climate change risk.	Group Nominations Committee Ensures that there is an appropriate balance of skills, knowledge and experience on the Board, its Committees and within the Group’s subsidiary companies.	Group Remuneration Committee Determines the Group’s Remuneration Policy and ensures there is alignment between performance and reward.	
Report page 94	Report page 85	Report page 92	Report page 87	Report page 103	
Group Chief Executive, Mark Hews The Board delegates the execution of the Company’s strategy and day-to-day management of the business to the Chief Executive, assisted by members of the Group Management Board (GMB).					
Deputy Group Chief Executive, Jacinta Whyte The Deputy Group Chief Executive is accountable to the Group Chief Executive for leading the general insurance businesses.		Group Chief Financial Officer, Denise Cockrem The Group Chief Financial Officer is accountable to the Group Chief Executive for the financial management of the Group and for ensuring that it complies with its statutory and regulatory reporting requirements.		Group Company Secretary, Rachael Hall The Company Secretary is responsible for compliance with Board procedures, advising the Board on all governance matters, supporting the Chair and helping the Board and its Committees to function efficiently. All Directors have access to the advice of the Company Secretary.	

Attendance at meetings

Directors are expected to attend all Board meetings and strategy days as well as Committee meetings where they are members. However, it is recognised that sometimes this may not be possible in exceptional circumstances. Where this is the case, Directors receive the papers and provide comments to the relevant meeting. In 2022, the Board held five scheduled meetings and a strategy day. In addition, the Board participated in regular training sessions.

The following is a record of the Directors' attendance for Board and Committee meetings during 2022:

	Director since	Board	Group Audit Committee	Group Finance and Investment Committee	Group Nominations Committee	Group Remuneration Committee	Group Risk Committee
Executive Directors							
Mark Hews	June 2009	6/6	-	-	-	-	-
S. Jacinta Whyte	July 2013	6/6	-	-	-	-	-
Denise Cockrem	September 2019	6/6	-	-	-	-	-
Non-Executive Directors							
David Henderson	April 2016	6/6	-	5/5	3/3	5/5	-
Rita Bajaj ¹	July 2021	6/6	-	4/5	-	-	-
Francois-Xavier Boisseau ²	March 2019	6/6	5/7	5/5	-	-	4/4
Sir Stephen Lamport	March 2020	6/6	-	-	-	5/5	4/4
Neil Maidment ³	January 2020	6/6	7/7	-	-	4/5	4/4
Andrew McIntyre	April 2017	6/6	7/7	-	-	-	4/4
Chris Moulder ⁴	September 2017	4/6	6/7	-	3/3	-	4/4
Angus Winther	March 2019	6/6	-	5/5	3/3	5/5	-

¹ Rita Bajaj was unable to attend a Group Finance and Investment Committee due to a personal commitment arranged before the meeting was confirmed.

² Francois-Xavier Boisseau was unable to attend two meetings of the Group Audit Committee due to prior professional commitments.

³ Neil Maidment was unable to attend a Group Remuneration Committee meeting due to a family matter.

⁴ Chris Moulder was unable to attend two Board meetings and a Group Audit Committee meeting due to prior business commitments arranged before the meetings were confirmed.

Internal controls

The Board is ultimately responsible for the systems of risk management and internal control maintained by the Group and reviews their appropriateness and effectiveness annually. The Board views the management of risk as a key accountability and is the responsibility of all management and believes that, for the period in question, the Group has maintained an adequate and effective system of risk management and internal control that complies with the Code. Further details are set out in the Risk Management Report.

The Group embeds risk management into its strategic and business planning activities whereby major risks that could affect the business in the short and long term are identified by the relevant management together with the assessment of the effectiveness of the processes and controls in place to manage and mitigate these risks.

The Group's internal control framework is vital in setting the tone for the Group and in creating a high degree of control consciousness in all employees.

A Code of Conduct and a Code of Ethics are embedded into the culture of the Group and are accessible to all staff via the intranet.

Assurance on the adequacy and effectiveness of internal control systems is obtained through management reviews, control self-assessment and internal audits.

Systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable, but not absolute, assurance as to the prevention and detection of financial misstatements, errors, fraud or violation of law or regulations. Further information on internal controls is set out in the Group Audit Committee Report.

By order of the Board

Mrs. R. J. Hall
Group Company Secretary
16 March 2023

'The Board views the management of risk as a key accountability and is the responsibility of all management.'

Group Finance and Investment Committee Report

Committee member	Member since	Meetings attended
Angus Winther (Chair)	April 2019	5/5
Rita Bajaj ¹	July 2021	4/5
Francois-Xavier Boisseau	July 2021	5/5
David Henderson	June 2016	5/5

¹ Rita Bajaj was unable to attend a meeting due to a personal commitment agreed prior to the scheduling of an ad hoc meeting.

Dear Stakeholder

I am pleased to present the Group Finance and Investment Committee Report reflecting on the work carried out by the Committee during the past year.

Our main responsibility is to ensure the Group's financial assets are properly managed, governed and controlled (within financial limits delegated by the Board) and that performance is as expected. On behalf of the Board, we also consider major financial decisions such as raising capital, acquisitions and disposals. The Committee is constituted as a committee of the Company's immediate parent Benefact Group plc, for which it provides the same functions.

We were supported by the Group Chief Executive, Group Chief Financial Officer and other subject matter experts (including the Group Chief Actuary) who attended meetings to provide insight on key matters and developments.



'Our main responsibility is to ensure the Group's financial assets are properly managed, governed and controlled (within financial limits delegated by the Board) and that performance is as expected.'

Areas of focus during 2022

Volatility and uncertainty

We considered the market implications of the war in Ukraine, and the consequent humanitarian crisis, as well as changes in economic conditions, most notably central banks acting to increase interest rates to reduce inflation, and the consequent impact on economic growth prospects.

Climate change

We reflected on both the benefits and costs of the Group's responsible and sustainable investment approach on current and likely future performance (especially as we hold no energy stocks). We monitored the Group's carbon footprint within its investment portfolio focusing on Scope 1 and 2 emissions. We also considered the challenges associated with identifying and measuring Scope 3 emissions (given reliance on suppliers and the quality of publicly available data). Notwithstanding this, we have an expectation that a significant proportion of our investment portfolio's carbon footprint will be measurable by the end of 2023 including in relation to the property portfolio.

Simplifying the Group

We discussed updates on the Group's legal entity restructure which took effect on 3 January 2023. Discussion focused on the complexities, practicalities and merits of potential corporate structural changes including the sale of South Essex Insurance Holdings Limited and SEIB Insurance Brokers Limited on 30 December 2022 to the Lloyd & Whyte Group as well as financial and resource aspects. Further information is provided on page 6.

Finance

We monitored acquisition and disposal activity, outcomes and performance across the Group. The need to extend support to some of the businesses within the Group to enable them to realise local strategic ambitions was also considered.

During the year, Benefact Group plc had a non-controlling equity interest in the speciality insurance broking group, Lloyd & Whyte. We have monitored various matters relating to that acquisition, including associated structural changes, Lloyd & Whyte's acquisition pipeline, associated loan exposure and performance. In addition, Lloyd & Whyte's Group Managing Director and Chief Operating Officer attended a Committee meeting to present a deep dive on acquisition integration including the acquisition selection process and outcomes.

Investments

During the year, we reviewed the investment mandate with EdenTree to ensure that it was fit for purpose and compliant with legal and regulatory requirements. The performance of the Group's investment portfolios and outlook for the financial markets were also considered.

Additionally, the Committee reviewed in detail the Group's investments in property and an unlisted equity investment.

Investment strategy and risk tolerances

The Group's business plan investment assumptions and the overall Investment Strategy were reviewed. This included consideration of asset allocation and exposure (to equities, bonds, infrastructure, property and cash) and associated risk.

In particular, we considered proposals to refine the Group's exposure to growth assets and protections that could be put in place.

Governance

We also reviewed the Committee's performance and set objectives focusing on optimising the Group's legal entity and governance structure and the investment strategy.

Angus Winther

Group Finance and Investment
Committee Chair
16 March 2023

'We reflected on both the benefits and costs of the Group's responsible and sustainable investment approach on current and likely future performance.'

Group Nominations Committee Report

Committee member	Member since	Meetings attended
Chris Moulder (Chair)	November 2019	3/3
David Henderson	January 2019	3/3
Angus Winther	May 2021	3/3

Dear Stakeholder

I am pleased to present the Group Nominations Committee's Report reflecting on the work we carried out during the past year. The Group has set itself an ambitious growth strategy and the Committee's role is to support that strategy by ensuring that there is a diverse and inclusive, future proof pipeline of talent across the Board, its Committees and Senior Management.

Diversity and inclusion

The Committee has continued to support the Group's refreshed Diversity and Inclusion Strategy (more information on the Group's 'We All Belong' can be found on page 21). Additionally, the Committee has reviewed the Board Diversity Policy and Senior Management succession plans in the context of the FCA's published policy statement PS22/3: Diversity and inclusion on company boards and executive management ("PS22/3"). The Board understands the benefits that diversity in its widest sense can bring and has set itself clear medium- to long-term objectives, acknowledging that there is work to be done to achieve these. The Committee remains committed to supporting the Board and the Group Diversity and Inclusion Strategy, and diversity and inclusion will remain a key focus of the Committee moving forward.



Non-Executive Director recruitment

In light of the anticipated retirement of Andrew McIntyre, NED and Group Audit Committee Chair, the Committee have been focused on identifying a suitable successor. Following an external search which did not find a suitable successor, and given the current needs of the Board and the imminent introduction of IFRS 17 Accounting Standard, it was agreed that I should replace Andrew as the Group Audit Committee Chair (effective June 2023). Neil Maidment will then succeed me as the Group Risk Committee Chair. The search for new NEDs and, in particular, female candidates will continue during 2023.

External Board and Committee evaluation

Another key area of focus for the Committee has been the externally facilitated Board effectiveness review. More details are outlined later in this Report.

Chris Moulder
Group Nominations Committee Chair
16 March 2023

Areas of focus during 2022

Composition of the Board and Senior Management

The Committee considered the composition of the Board and its Committees. This included consideration of skills, knowledge, experience, length of tenure, independence, and diversity in the context of the Group's long-term strategic priorities.

The Committee is conscious that the diversity of the Board and its Committees should be improved particularly in terms of female representation and has been actively trying to rectify the position. In line with the expectations of the FCA, the Committee has also committed to making this a consideration when recruiting in the future.

In addition to gender balance, it is noted that there is a need to strengthen ethnic minority representation among the Senior Management. In recognition of this, diversity in its fullest sense will be a consideration in terms of ensuring that there is a diverse pipeline of talent and opportunities at this level.

Succession planning and talent development

The composition of the Board and Senior Management is informed by plans for orderly, rigorous and a phased approach to succession and to reflect the Group's strategic ambitions, opportunities and challenges faced.

In respect of each leadership role, emergency, short-term and long-term succession plans are considered and challenged by the Committee to ensure that appropriate skills are in place to support the Group's strategy and ensure a diverse pipeline of talent is in place. This is supported by robust skills analysis which is conducted for all Directors annually. During 2022, the assessment demonstrated that all Directors had the required skills, expertise and knowledge the Board believes are necessary to drive the Group forward.

In support of the Group's strategy to build a world-class team, the Committee reviewed the refreshed talent, succession and leadership activities across the Group.

Induction and training

All Directors undertake a formal, comprehensive and tailored induction upon joining the Board. This includes sessions with key subject matter experts across the Group.

In addition, the annual training schedule of the Board is developed in consultation with the Committee, the GMB and key subject matter experts around the Group before being approved by the Board. It is dynamic and can change to reflect the needs of the Board. Any Director may request further training to support their individual or collective needs. During the year, the Board received training on IFRS 17, Internal Model and TCFD Disclosure (externally facilitated by Grant Thornton LLP) and Climate Change.

The Group Company Secretary maintains annual CPD records for all Directors, which the Chair reviews as part of their annual appraisal.

As the effects of Covid-19 prevented the Directors from travelling in previous years, the Directors have been keen to resume meeting key employees across the Group. The Committee has developed a schedule of site visits for each Director which commenced in 2022.

Board Diversity and Inclusion Policy, application and progress against objectives

During the year, the Committee has continued to oversee the development and implementation of the Board's Diversity Policy (the Policy). The Policy has been updated in line with PS22/3 and the Group's recently refreshed "We All Belong" Diversity and Inclusion Strategy. The Policy was last reviewed by the Committee in October 2022 and approved by the Board in November 2022.

Ecclesiastical recognises the benefits of having a diverse Board and is committed to improving diversity on the Board in the broadest sense. It believes that diversity both improves performance of the Board and strengthens the business. In doing so, the Board has set itself objectives as set out on the following page.

'In support of the Group's strategy to build a world class team, the Committee reviewed the refreshed talent, succession, and leadership activities across the Group.'

Board Policy medium- to long-term objectives	Implementation and progress
Ecclesiastical will seek to:	
Achieve a level of at least 40% female Directors over the medium term on the Board of Ecclesiastical Insurance Office plc or explain if this is not the case	The Board includes three female Directors (including two Executive Directors) in a membership of eleven (27%). In recognition of the progress required to meet its own medium-term objective, the Committee will continue to support the Board to achieve this objective.
Ensure that at least one of the senior positions on the Board (defined as Chair, Chief Executive, Senior Independent Director and Chief Financial Officer) is held by a female Director or explain if this is not the case;	The positions of Deputy Chief Executive Officer and Group Chief Financial Officer are held by women. Together with a number of other senior leaders, Mrs Whyte and Mrs Cockrem took part in a Group communication campaign outlining the story of their careers, challenges and successes as part of the Group's International Women's Day celebrations to inspire future leaders.
Ensure that the Board composition comprises of at least one Director from a minority ethnic background or explain if this is not the case;	The Board is pleased to have met this objective. As an ethical business, the Board values equality highly and continues to work towards broadening the ethnic mix of the Board as and when appropriate.
Engage solely with executive search firms who have signed up to the Voluntary Code of Conduct on both gender and ethnic diversity and practice;	The Company engages with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.
Ensure that the recruitment process and the development of 'long-lists' reflect the Board's diversity commitments to both gender and ethnic diversity and that candidates are presented from all backgrounds, and with diverse skills and personal qualities;	An overview of the recruitment process is set out later in this Report.
Report annually on its diversity objectives and other initiatives undertaken by the Company, which promote gender, social and ethnic diversity or explain why not met.	<p>This Report of the Committee is open and transparent and demonstrates that there are improvements to be made in relation to the Board becoming more diverse and inclusive. The Board will take opportunities, as and when appropriate, to further improve diversity in its broadest sense (including ethnicity, skills, regional and industry experience, background, age, gender and other distinctions). However, the Board believes the approach to diversity and inclusion should not be a "tick box exercise" but an opportunity to continue to build a cohesive future proof leadership and that ultimately all appointments should be made on merit.</p> <p>The Board encourages Executive Management to ensure appropriate diversity at senior levels within the organisation. Further information including key employee statistics on gender and ethnicity is provided in the Responsible Business Report on page 21.</p> <p>The Board remains committed to documenting its journey via the annual reports of the Committee.</p>

Non-Executive Director recruitment

It is the Committee's responsibility to ensure that the composition and pipeline of talent for the Board and Senior Management supports the future direction of the Group. Accordingly, following a review of the Board's composition and succession plans, the Committee agreed to prioritise appointing a suitable successor to the role of Group Audit Committee Chair.

Appointment process:

Stage one: Objective Criteria

A Selection Panel comprising Chris Moulder, David Henderson, Angus Winther and Rachael Hall was formed to commence the recruitment of a Chair for the Group Audit Committee.

The Panel developed a Position Specification for the role based on objective criteria and having regard to the outcome of the Board skills analysis. The candidate was expected to have extensive experience in financial services focusing on finance, accounting or actuarial.

Stage two: Candidate Lists Compiled and Reviewed

Following a tender process Per Ardua Associates Limited was engaged to support the recruitment process. Per Ardua do not have any connection to the Group beyond supporting the recruitment of non-executive and executive roles.

Having due regard to the Board's diversity and inclusion ambitions, the skills and competences outlined in the specification, and the Group's ethics, culture and values, Per Ardua drew up a list of potential candidates for consideration by the Panel.

Stage three: Candidate Identified

Following a rigorous search process, a suitable external candidate could not be found within the timeframe specified. Balancing the requirements of the Board in leading the Group at this pivotal strategic point and given the imminent introduction of IFRS 17, the decision was taken to appoint the successor to the role of Group Audit Committee Chair from within the Board in the short term.

Stage four: Recommendation and Appointment

It was agreed that as Chris Moulder possessed the required leadership qualities, skills and experience required for this role, he would be appointed Group Audit Committee Chair at the conclusion of the AGM subject to regulatory approval.

In recognition of the time commitment of the role, Chris will step down as Group Risk Committee Chair and will be replaced by Neil Maidment subject to regulatory approval. will step down as Group Risk Committee Chair and will be replaced by Neil Maidment subject to regulatory approval.

The search for a long-term successor to the role of Group Audit Committee Chair will recommence in 2023.

Directors' length of service

The Committee monitors the length of tenure of all Directors as shown in the table on Board diversity.

Director's independence and time commitments

The Board believes that all the Non-Executive Directors were independent throughout 2022. Independence is reviewed as part of each Director's annual appraisal, considered by the Committee and agreed by the Board annually. The Committee has considered the circumstances and relationships of all Non-Executive Directors and, following rigorous review, the Committee confirmed to the Board that all Non-Executive Directors remained independent in character and judgement. No individual participated in the discussions relating to their own independence.

Chris Moulder and Sir Stephen Lamport are Directors on the Boards of Benefact Trust Limited and the Company ('Common Directors'). The common directorship model is regarded as good practice with a charity that owns a trading subsidiary and these Common Directors enable the Trust to gain a thorough understanding of its subsidiary company's performance and the strategic issues it faces, and for the subsidiary to understand the expectations of its parent company. A joint Company and Benefact Trust Limited Nominations Committee Meeting is held annually, among other things to consider the appointment of Common Directors.

The Committee evaluates the time Non-Executive Directors spend on the Company's business annually and is satisfied that, in 2022, the Non-Executive Directors continued to be effective and fulfilled their time commitment as stated in their letters of appointment.

External directorships are considered to be valuable in terms of broadening the experience and knowledge of Executive Directors, provided there is no actual or potential conflict of interest, and the commitment required is not excessive.

All appointments are subject to approval by the Board, and the Conflicts Register maintained by the Group Company Secretary is used to monitor external interests. Any monetary payments received by Executive Directors from outside directorships are paid over to and retained by the Group.

Board evaluation

All Directors receive an annual appraisal from the Chair. The Chair is appraised by the Board, in his absence led by the Senior Independent Director.

In line with the Code, the Board undergoes an externally facilitated performance review every three years. An overview of the process which commenced in 2022 is outlined below:

Stage 1: Proposals and Requirements

It was agreed that the evaluation would include a review into: the effectiveness of the Board in terms of its processes, people, team work and behaviours; the value it delivers to its shareholder; how it engages with its Committees; how it sets the 'tone from the top'; and how it provides effective oversight of the setting and execution of the strategy of the Company and its subsidiaries, and the operating performance of Executive Management.

Stage 2: Selection of an Independent Evaluator

Three firms were asked to submit proposals and following subsequent presentations Stephenson Executive Search was appointed to undertake the external Evaluation. Stephenson Executive Search has no connection to the Group or its Directors beyond Tim Stephenson, Stephenson Executive Search's Chair supporting David Henderson in relation to Non-Executive Director assignments. The Board is content that Mr Stephenson provided an independent view on the performance of the Board, its Committees and individual Directors.

Stage 3: Review Process

As part of the review, the Evaluator conducted a series of one-to-one interviews with each member of the Board, the Group Company Secretary, the Group Chief Actuary and the Group Chief Risk and Compliance Officer. In addition, the Evaluator observed Board and Committee meetings.

Stage 4: Review of Report, discuss and agree action plans for 2023

The outcome of the Evaluation will be considered by the Board at its meeting on 16 March 2023 and an action plan agreed. The Committee will monitor the implementation of all the recommendations arising from the review.

Details on the above actions will be reported in the 2023 Annual Report.

Group Risk Committee Report

Committee member	Member since	Meetings attended
Chris Moulder (Chair)	September 2017	4/4
Andrew McIntyre	August 2017	4/4
Francois-Xavier Boisseau	April 2019	4/4
Neil Maidment	March 2020	4/4
Sir Stephen Lamport	November 2020	4/4



Dear Stakeholder

I am pleased to present this report describing the work undertaken by the Group Risk Committee during the past year.

The Committee's key roles are to oversee the Group's Risk Management Framework and culture (including risk strategy, appetite and tolerance); the Group's risk and compliance monitoring functions; and to monitor prudential risk (including overseeing the Internal Model), conduct risk and climate change risk.

Throughout 2022, the Committee monitored the Group's Risk Management Framework, capital management and operational resilience, paying close attention to impacts from the internal and external environments. The Committee monitored the material risks of the Group and reviewed Internal Model scope, use, governance and validation.

The Group has voluntarily chosen to include this report in addition to the disclosures in the Risk Management Report and Principal Risks sections. The latter sets out the Group's principal risks and uncertainties which the Committee has reviewed in detail and is comfortable that the business has addressed them appropriately within its ongoing operating model and strategic priorities.

'Throughout 2022, the Committee monitored the Group's Risk Management Framework, capital management and operational resilience, paying close attention to impacts from the internal and external environments.'

Committee meetings were attended by the Group Chair, Deputy Group Chief Executive, Group Chief Risk and Compliance Officer, Group Chief Financial Officer, Group Underwriting Director, Group Chief Actuary and Group Chief Internal Auditor.

Areas of focus during 2022

During 2022, the Committee continued to monitor the Group's ongoing operational and financial resilience and its capital and solvency positions, receiving updates from management particularly in light of direct and indirect impacts from the external environment. These impacts included adverse weather events in all territories in which the Group operates; volatility in global investment markets; inflationary pressures; and the war in Ukraine. Although the Group was not directly exposed to risks arising from the war, the Committee kept indirect exposures under review, including cyber and credit risks.

The Committee also monitored the ongoing development, governance, methodology and calibration of the Internal Model; overseeing independent validation; reviewing profit and loss attribution; and recommending Model changes and management actions to the Board.

During the year, the Committee oversaw management's work to embed key elements of climate change risk into the Group's Risk Management Framework, including the development of a Board level risk appetite statement and key risk metrics. The Committee also received updates from projects to develop the Group's data management model and operational resilience programme.

Additionally, the Committee received reports on risk and compliance monitoring and breaches; underwriting and insurance risk; market and investment risk; reinsurance; outsourcing and supplier risk; and business continuity. The Committee reviewed the Own Risk and Solvency Assessment, recommending it to the Board, and oversaw the risk oversight and assurance plan, including work ongoing to embed the risk taxonomy and further develop an emerging risk register. The Committee also received the Money Laundering Reporting Officer's Report and monitored sanctions screening and financial crime controls.

The Group Chief Risk and Compliance Officer reports to the Committee and has direct access to the Committee Chair and the Non-Executive Directors. The Committee ensures that it meets with the Group Chief Risk and Compliance Officer at least annually without other management present.

By order of the Board

Chris Moulder

Group Risk Committee Chair
16 March 2023

'During the year, the Committee oversaw management's work to embed key elements of climate change risk into the Group's Risk Management Framework.'

Group Audit Committee Report

Dear Stakeholder

As Chair of the Group Audit Committee, I am pleased to present the Committee's report for the year ended 31 December 2022. This report outlines the work undertaken by the Committee to safeguard Ecclesiastical for the benefit of its shareholders. The Committee plays a crucial role in oversight and scrutiny of the Group's financial and regulatory reporting, internal and external audit arrangements, internal control environment and the processes for compliance with laws, regulation and ethical codes of practice. The Committee also remains alert to the external risks facing Ecclesiastical and features these in its work.

The Committee's duties over the last year have been expanded to include oversight of climate and non-financial reporting as part of the Group's overall climate change governance strategy. The Group continues to closely monitor and deal with the evolution of the pandemic, however; as this eased across the globe, 2022 has presented further challenges including inflationary pressures, and interest rate risk, all further intensified by the war in Ukraine. The Committee has remained vigilant to these developments and expects to keep these under close scrutiny.

The Committee has reviewed the Group's financial reporting, ensuring that this year's Annual Report and Accounts are prepared using appropriate judgements and are a fair reflection of the Group's performance and position. The significant accounting and reporting issues considered in detail by the Committee are set out on pages 97 to 99.

The new insurance accounting standard IFRS 17 became effective for the Group from January 2023 and continued to be an important part of the Committee's 2022 agenda. The Committee has also monitored internal and external audit arrangements and the effectiveness of internal controls. Additionally, the Committee has monitored the external environment to ensure that reporting and controls have continued to adapt and respond to developments.

The role of the Committee in the Group's governance framework is vital, providing independent challenge and oversight across financial reporting and internal control procedures. The Committee ensures the interests of our shareholders are protected by providing independent scrutiny and challenge to ensure the Group always presents a true and fair view of its performance, with a focus on the accuracy, integrity and communication of its financial

reporting. The Committee also examines the Group's control environment and strategies for risk management, providing assurance these are managed appropriately. We remain satisfied that the business has maintained a robust risk management and internal controls culture, supported by strong overall governance processes.

Andrew McIntyre
Chair of the Group Audit Committee



'The role of the Committee in the Group's governance framework is vital, providing independent challenge and oversight across financial reporting and internal control procedures.'

Members of the Committee

Committee members are independent Non-Executive Directors and have been selected with the aim of providing the wide range of financial, risk, control and commercial expertise necessary to fulfil the Committee's duties. The Committee is also then able to challenge and scrutinise management's work. Further information about the experience of each member of the Committee can be found on page 63. The Board considers that Andrew McIntyre has recent and relevant financial experience and accounting competence and that the Committee as a whole is appropriately competent in the sectors within which the Group operates.

The members of the Group Audit Committee who were appointed by the Board and their attendance at the seven meetings held during the year are shown below.

Committee member	Member since	Meetings attended
Andrew McIntyre (Chair)	April 2017	7
Francois-Xavier Boisseau	March 2019	5*
Neil Maidment	March 2020	7
Chris Moulder	September 2017	6**

* committee member was unable to attend two Committee meetings due to prior professional commitments.

** Committee member was unable to attend one Committee meeting as a result of a late change to the schedule of Committee meetings.

Committee meetings

In addition to the members of the Committee, the Chairman of the Board, the Group Chief Executive, the Group Chief Financial Officer, the Deputy Group Chief Executive and the Group Chief Internal Auditor attend meetings by invitation. Other relevant people from the business are invited to attend certain meetings in order to provide insight into key issues and developments.

The Group's external auditor is invited to attend meetings. During the year, PricewaterhouseCoopers (PwC) attended seven of the Committee's meetings. During the year, the Committee met privately with the Group's external auditors without management present.

The Committee's key responsibilities include:

- monitoring the integrity of the financial statements;
- challenging the Group's financial reporting, and reporting upon anything that it is not satisfied with;
- reviewing regulatory reports;
- reviewing climate and non-financial metrics reporting;
- reviewing tax strategy and policies;
- reviewing the Group's whistleblowing arrangements;
- reviewing the Group's audit arrangements, both externally and internally; and
- reviewing the effectiveness of the Group's systems of internal controls and the management of financial risks.

When the Committee discharges its responsibilities these are extended to include Ecclesiastical Insurance Office plc's immediate parent Benefact Group plc (formerly Ecclesiastical Insurance Group plc) and matters related to its own subsidiary undertakings and interests.

'The Committee ensures the interests of our shareholders are protected by providing independent scrutiny and challenge.'

A summary of the main activities of the Committee during the year is set out below:

Auditor appointment and tenure, independence and non-audit services

The Committee has primary responsibility for overseeing the relationship with and performance of the external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis and for agreeing the audit fee.

PwC has acted as the Group's external statutory auditor following appointment at the Annual General Meeting in June 2020. The Group's policy for auditor rotation follows regulatory requirements and PwC will be required to be rotated after no more than 20 years, and an audit tender held after no more than 10 years.

Sue Morling of PwC became the Group's Senior Statutory Auditor for the financial year 2020 after PwC's appointment. Her term as Senior Statutory Auditor is due to conclude upon the completion of the 2024 audit.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review. Both the Board and the external auditor have safeguards in place to protect the independence and objectivity of the external auditor.

The Committee is responsible for the development, implementation and monitoring of the Group's policy on the provision of

non-audit services by the external auditor. The policy is reviewed annually by the Committee. The purpose of the policy is to safeguard the independence and objectivity of the external auditor and to comply with the ethical standards of the Financial Reporting Council (FRC).

The Committee oversees the plan for the external audit to ensure it is comprehensive, risk-based and cost-effective. The plan described the proposed scope of the work and the approach to be taken, and also proposed the materiality levels to be used which are described on page 120. In order to focus the audit work on the right areas, the auditors identify particular risk issues based on various factors, including their knowledge of the business and operating environment and discussions with management.

For the year ended 31 December 2022, the Group was charged £1,032,000 (ex VAT) by PwC for audit services. Non-audit fees for audit-related assurance services required by legislation and/or regulation amounted to £270,000, making total fees from PwC £1,302,000. There were no other non-audit services provided by PwC during the financial year. More detail can be found in note 12 to the financial statements.

External audit effectiveness

The Committee assesses the effectiveness of the external auditor annually against several criteria including, but not limited to, accessibility and knowledgeability of audit team members, the efficiency of the audit process including the effectiveness of the audit plan, and the quality of improvements recommended.

The Committee reviewed a report based on questionnaires completed by senior management, business unit leaders and those members of staff most involved in the external audit process, regarding the PwC 2021 statutory audit and audit-related assurance services. The Committee recognised the strengths of the external auditor and that duties were performed independently and effectively, scoring particularly highly in technical knowledge and expertise.

Appropriateness of the Group's external financial reporting

The primary role of the Committee in relation to financial reporting is to review, challenge and agree the appropriateness of the half-year and annual financial statements and annual regulatory reporting under Solvency II, concentrating on, among other matters:

- the quality and acceptability of the Group's accounting policies and practices;
- the clarity of the disclosures and compliance with financial and regulatory reporting standards, and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been made by the Group or there has been discussion with the external auditor;
- whether the Group's Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy; and

- any correspondence from regulators in relation to financial reporting.

In respect of these annual financial statements the Committee paid particular attention to the significant judgements set out below, including a review of the corporate governance disclosures, monitoring of the external audit process and statements about going concern and viability.

The Committee concluded that it remained appropriate to prepare the financial statements on a going concern basis and recommended the viability statement to the Board for approval.

The Committee reviewed and challenged the Group's annual regulatory submissions under Solvency II. The Committee focused on the requirements of the publicly and privately filed regulatory reporting.

The significant areas of focus considered by the Committee in relation to the 2022 accounts, and how these were addressed, are outlined below. These were discussed and agreed with management during the course of the year, and also discussed with PwC. The nature of these issues and how they are mitigated is explained in more detail in the Risk Management Report on page 45, and also note 2 to the financial statements.

Matter considered	Action
<p>General insurance reserves</p> <p>The estimation of the ultimate liability arising from claims under general business insurance contracts is a critical accounting estimate. There is uncertainty as to the total number of claims on each class of business, the amounts that such claims will be settled for and the timings of any payments.</p>	<p>The Committee considered detailed reports provided by the Group's Reserving Actuary on the adequacy of the Group's general insurance reserves at both the half year and the full year and discussed and challenged management across a wide range of assumptions and key judgements, including the application of a change in the Group's accounting policy for discounting.</p> <p>This is a major area of audit focus and PwC also provided detailed reporting on these matters to the Committee.</p> <p>The Committee challenged management on whether the reserving methodologies and level of reserves held had adequately taken into account changes in the economic environment that had been emerging over the year. The Committee gained confidence that additional focus had been given within the calibration exercise to the use of explicit modelling of future cashflows by period, taking account of claims inflation projections and discounting of the reserves in order to provide accurate representation in the best estimate of the latest economic position.</p> <p>The Committee requested a walkthrough of the key drivers of management's selected uncertainty margin loading in order to gain comfort that the unique reserving risks facing the Group had been appropriately allowed for. The Committee was satisfied that management and the Group Reserving Actuary have carried out a thorough review of the drivers of uncertainty, including inflation on all components, and have arrived at a prudent recommendation for the level of booked reserves, which provides a high degree of confidence in the resultant level of sufficiency.</p> <p>Following all of our reviews and discussions, the Committee's opinion was that the reserving process and outcomes were robust and well managed and that the overall reserves set were reasonable, as disclosed in notes 9 and 28 of the financial statements.</p>
<p>Life insurance reserves</p> <p>The calculation of the Group's life insurance reserves requires management to make significant judgements about bond yields, discount rates, credit risk, mortality rates and current expectations of future expense levels.</p>	<p>The Committee considered a report from the Chief Actuary of Ecclesiastical Life Limited (ELL) (the Group's life business) which sets out recommendations for the basis and methodology to apply for:</p> <ul style="list-style-type: none"> • valuation of policy liabilities for inclusion in the report and accounts for ELL at 31 December 2022; and • the calculation of technical provisions in accordance with Solvency II regulations at 31 December 2022. <p>The Committee reviewed the work done by the Chief Actuary to assess whether changes to methodology were appropriate, with a particular focus on fixed expenses and a change in approach to reserve on a per policy basis, mortality assumptions (including any impacts from Covid-19), interest and inflation rate assumptions.</p> <p>Following its review, and after consideration of PwC's report, the Committee was satisfied that the assumptions proposed were appropriate and overall the judgements made in respect of the reserves were reasonable. The assumptions are disclosed in note 28(b) of the financial statements.</p>

Matter considered	Action
<p>Carrying value of goodwill</p> <p>This is an area of focus for the Committee given the materiality of the Benefact Group's goodwill balances (£23.8m at 31 December 2022 of which £2.1m relates to the Group) and the inherent subjectivity in impairment testing.</p> <p>The judgements in relation to goodwill impairment continue to relate primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the business plans and the macroeconomic and related modelling assumptions underlying the valuation process.</p>	<p>The Committee received detailed reporting from management and challenged the appropriateness of the assumptions made, including:</p> <ul style="list-style-type: none"> • the consistent application of management's methodology; • the achievability of the business plans; • assumptions in relation to long-term growth in the businesses at the end of the plan period; and • the determination of a discount rate. <p>The Committee paid particular attention to the business plans and management's proposed cashflows attributable to each Cash Generating Unit, and the determination of the discount rate used in the calculation. Detailed support for these assumptions was provided by management.</p> <p>The Committee considered the proposal and provided robust challenge to the assumptions, notably the evidence to support the discount rate and the appropriateness of the future cashflow assumptions. After its reviews, the Committee concluded that the assumptions were reasonable.</p>
<p>Valuation of defined benefit pension obligation and recognition of surplus</p> <p>The valuation of the defined benefit pension obligation requires many actuarial assumptions, including judgements in relation to long-term interest rates, inflation, longevity and investment returns.</p> <p>Judgement is applied in determining the extent to which a surplus in the Group's defined benefit scheme can be recognised as an asset.</p>	<p>During 2022, the Committee received reports from management on the proposed approach to the valuation of the pension scheme. As the pension scheme is sensitive to changes in key assumptions, management completed an assessment as to the appropriateness of the assumptions used, taking advice from independent actuarial experts and including, where appropriate, benchmark data, and reported its findings to the Committee. Improvements in the pension actuary's models increased the accuracy, and also dynamically captured changes in the scheme's liability profile. Following the review, management concluded that no allowance would be made for 2020 and 2021 mortality experience within future life expectancy calculations due to the continuing uncertainty over the long-term impacts of Covid-19 on mortality.</p> <p>Following consideration, the Committee concluded that the assumptions proposed were appropriate and in line with normal market practice.</p> <p>The impact of updating assumptions to reflect those in force at the balance sheet date on the valuation at 31 December 2022 is explained in note 19 to the financial statements.</p>
<p>Change of accounting policy and other accounting disclosures</p> <p>A number of changes made during the year impacted the Group and its results, including a change in accounting policy used to discount general insurance liabilities, a legal restructure of the Group and wider Benefact Group, along with other matters set out within this report.</p> <p>As well as considering the accounting treatment and judgements used by management, the way in which these changes were disclosed is particularly important for a user's understanding of their bearing on the Group and its results.</p>	<p>The Committee considered management's recommendations for the change in accounting policy used to discount general insurance liabilities. Consideration was given to the impact of market during 2022 on assets used by the Group to match general insurance liabilities and whether a change in accounting policy provided users with more relevant and useful information.</p> <p>The Committee also considered the previous accounting policy against the changes recommended by management, and concluded with management that this was a change in accounting policy to be applied retrospectively.</p> <p>Consideration was given by the Committee to how the impact of this change and other items affecting the Group and its results were disclosed throughout the Annual Report and Accounts. Specific consideration was given to disclosures made throughout the Strategic Report and within the financial statements including consideration of their compliance with accounting standards.</p> <p>The Committee made a number of recommendations to the disclosures to ensure specific items, when taken individually and together in the context of their impact on the Group, were transparent. The Committee concluded that disclosures made throughout the Annual Report and Accounts for these specific items was fair, balanced and understandable.</p>

Matter considered	Action
<p>Valuation of unlisted equity</p> <p>This is an area of focus for the Committee given the materiality and the subjectivity in deriving fair value.</p> <p>The judgements and estimates used to determine the value of the Group's interest in unlisted equity follow industry recognised fair value model techniques and the principles of IFRS 13 Fair Value Measurement. Judgements and estimates include the selection of the most appropriate valuation approach, the set of comparable companies, choice of valuation multiples and the setting of an illiquidity discount.</p>	<p>The Committee received information from management on Group's unlisted equity investments and the model used to determine fair value of these investments. The Committee paid particular attention to the application of industry recognised valuation techniques and areas of the portfolio more susceptible to valuation uncertainty.</p> <p>When considering management's assessment of the fair value of unlisted equities, the Committee considered the fair value model and inputs used. Particular consideration was given to management's recommended valuation multiple, the impact on market multiples from increases in interest rates during 2022, the discount applied for illiquidity and both the suitability and number of comparable companies used within the model.</p> <p>Following consideration, the Committee concluded that the assumptions proposed were appropriate.</p>
<p>Legal entity reorganisation</p> <p>The Group has made a number of legal entity structural changes during the year and after the balance sheet date. These included disposals to related parties of Ecclesiastical Insurance Office plc and Benefact Group plc.</p> <p>Judgements were required, in particular over control conclusions as well as accounting and disclosure.</p>	<p>The Committee considered management's recommendations on the application of accounting and disclosures requirements across a number of accounting standards including those dealing with discontinued operations, segmental reporting, control and business combinations.</p> <p>The Committee considered in particular the impact on disclosures within 2022 for transactions before and after the balance sheet date and their impact on discontinued operations and comparative information. Consideration was also given to the specific circumstances of control over related undertakings within the Benefact Group plc.</p> <p>The Committee's opinion was that the accounting application and disclosures made within the financial statements were appropriate and provided users of the accounting with useful information.</p>
<p>Disposal of a subsidiary to a related party</p> <p>During the financial year, the Group disposed of its entire interest in South Essex Insurance Holdings Limited and its wholly-owned subsidiary SEIB Insurance Brokers Limited, (together 'SEIB'). This was acquired by a broker group that the Benefact Group plc has an existing non-controlling interest in.</p> <p>Management applied judgement when determining if this transaction with a related party was in the best interests of the Group.</p>	<p>The Committee considered the terms of the disposal and the basis used to determine a suitable consideration. The Committee considered both the substance and legal form of the Group's relationship with the related party.</p> <p>Particular consideration was given to the following:</p> <ul style="list-style-type: none"> • The typical commercial terms used by businesses in this industry when entering into the sale and purchase of UK broker businesses and whether this transaction was consistent. • The legal form and substance of the existing and future expected relationship the Group has with the related party and whether this influenced the commercial terms of the transaction. • The disclosure requirements of IAS 24 Related Party Disclosures and how management applies these within the financial statements. Consideration was also given to other disclosures within the Strategic Report of this Annual Report & Accounts. <p>The Committee's opinion was that the transaction was carried out under commercial terms which are characteristic of the broking industry and in the best interests of the Group and its stakeholders. The Committee made additional disclosure recommendations to provide more transparency of the transaction and the true and fair view of the financial statements.</p>

The Committee is constituted as a committee of the Board of Directors of both Ecclesiastical Insurance Office plc and its immediate parent, Benefact Group plc. As a result, the Committee will also consider matters that are specific to the Group, Benefact Group plc, and therefore items that are not included within Ecclesiastical Insurance Office plc's financial statements within this Annual Report and Accounts. The Committee considered a number of accounting judgements and reporting matters in the preparation of Benefact Group's financial results in a manner consistent with that set out within this report. This included the carrying value of goodwill and the accounting treatment and control of business combinations related to insurance broker businesses of that Group.

Implementation of IFRS 17 Insurance contracts

IFRS 17 is a new insurance accounting standard, issued by the International Accounting Standards Board (IASB). IFRS 17 became effective for the Group from 1 January 2023 and will impact the Group's financial reporting. The Group will issue results under IFRS 17 in its 2023 Interim Results expected to be published in September 2023.

During the year, the Committee monitored preparedness of the implementation of IFRS 17 as well as assessed the impact of the new standard on the calculation of insurance liabilities and financial reporting processes, as management finalised the 'dry runs' before the effective date.

Climate change risk and related disclosures

During the year the Committee continued to strengthen its understanding of the developments of disclosures regarding climate change and its impacts. This included the Committee receiving training from external and internal experts. The Committee discussed with management the continued development of the Group's disclosures regarding climate change risks and impacts which are included principally within the Responsible Business Report in the Annual Report and Accounts. The Committee's review paid particular attention to the transparency of disclosure and alignment to Task Force on Climate-Related Financial Disclosures along with the challenges in working towards net-zero. As the Group develops its response to the risks and impacts of climate change the Committee expects to consider management's evaluation of the potential impact on the financial statements and the evolution of disclosure.

Fair, balanced and understandable

The Committee considered whether, in its opinion, the 2022 Annual Report and Accounts were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee has reviewed and provided feedback on early drafts of the Annual Report and Accounts, highlighting any areas where further clarity was required in the final version.

When forming its opinion, the Committee reflected on information it had received and discussions throughout the year as well as its knowledge of the business and its performance. When forming its opinion, in particular, the Committee considered:

Is the report fair?

- Does the financial reporting reflect the key messages within narrative statements?
- Is the story complete and is there any sensitive material that has been omitted that should have been included?
- Does the Group that is portrayed in the Annual Report and Accounts reflect the Group discussed by the Committee and the Board?

Is the report balanced?

- Are the key areas of judgement included within any narrative reporting and significant matters discussed within this Committee report consistent with the disclosures within the financial statements?
- Are the significant and higher risk areas identified within the Annual Report and Accounts also those risks identified and reported by PwC?

Is the report understandable?

- Does the reporting focus on the more significant items and not become obscured with immaterial detail?
- Are the important messages highlighted up front?
- Does the report use clear and concise language and provide simple explanations of topics?

'The Committee continued to strengthen its understanding of the developments of disclosures regarding climate change and its impacts.'

The Committee was satisfied that the disclosures in the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and represented the results and business performance for the year ended 31 December 2022.

Oversight of the Group's systems of internal control including the internal audit function

Assessment of internal controls

The Group's approach to internal control and risk management is set out in the Corporate Governance Report on page 84.

In reviewing the effectiveness of the system of internal control and risk management during 2022, the Committee has:

- reviewed the findings and agreed management actions arising from both external and internal audit reports issued during the year;
- monitored management's responsiveness to the findings and recommendations of the Group Chief Internal Auditor;
- met with the Group Chief Internal Auditor once during the year without management being present to discuss any issues arising from internal audits carried out; and
- considered a report prepared by the Group Chief Internal Auditor giving his assessment of the strength of the Group's internal controls based on internal audit activity during the year.

Internal control over financial reporting

Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of management and financial reporting in accordance with generally accepted accounting principles. Controls over financial reporting policies and procedures include controls to ensure that:

- through clearly defined role profiles and financial mandates, there is effective delegation of authority;
- there is adequate segregation of duties in respect of all financial transactions;
- commitments and expenditure are appropriately authorised by management;
- records are maintained which accurately and fairly reflect transactions;
- any unauthorised acquisition, use or disposal of the Group's assets that could have a material effect on the financial statements should be detected on a timely basis;
- transactions are recorded as required to permit the preparation of financial statements; and
- the Group is able to report its financial statements in compliance with IFRS.

Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies.

Through its review of reports received from management, along with those from internal and external auditors, the Committee did not identify any material weaknesses in internal controls over financial reporting during the year. The financial systems are deemed to have functioned properly during the year under review, and there are no current indications they will not continue to do so in the forthcoming period.

Group Internal Audit (GIA)

GIA is monitored by the Committee and provides independent, objective assurance to the Board that the governance processes, management of risk and systems of internal control are adequate and effective to mitigate the most significant risks to the Group. GIA operate a co-sourcing arrangement in the UK and Ireland where specialist resource is required to supplement existing resources. In addition, GIA oversees and monitors the outsourced internal audit arrangements in Australia and Canada.

The Committee has oversight responsibility for GIA and is satisfied that GIA has appropriate resources. The Group Chief Internal Auditor is accountable to the Committee Chair, reports administratively to the Group Chief Financial Officer and has access to the Group Chief Executive and the Chair of the Board. The function also has an extensive stakeholder management programme across the whole of the Group.

GIA's annual programme of work is risk based and designed to cover areas of higher risk or specific focus across the Group. The plan is approved annually in advance by the Committee and is regularly reviewed

throughout the year to ensure that it continues to reflect areas of higher priority. Where necessary, changes to the agreed plan are identified as a consequence of the Group's changing risk profile.

Throughout the year, GIA submitted quarterly reports to the Committee summarising findings from audit activity undertaken and the responses and action plans agreed with management. During the year, the Committee monitored progress of the most significant management action plans to ensure that these were completed in a timely manner and to a satisfactory standard.

Whistleblowing

During the year, the Committee continued to perform regular oversight of the Group's whistleblowing arrangements, which are the responsibility of the Board and overseen by Group HR. Actions have focused on ensuring an environment in which whistleblowing is well understood, openly communicated and that a positive culture for raising concerns is promoted across the Benefact Group.

The Group has an established annual Whistleblowing activity cycle encompassing training, communication and monitoring. Online training modules for all colleagues and managers in both Whistleblowing and Code of Conduct increase and maintain awareness and emphasise an open and positive culture, with 80% of colleagues agreeing that they feel the Benefact Group is an environment in which they feel safe to speak up and challenge if they need to. Individual attestation and quarterly

reporting ensure the continued close monitoring of whistleblowing activity and understanding across the Group. These annual actions are reinforced by regular colleague communications and awareness raising activities.

Our whistleblowing procedures, policies and guides are also reviewed and updated annually to ensure that, in line with best practice, they are accessible, easily understood and are aimed to encourage and give confidence to potential whistleblowers.

More information about the Group's Whistleblowing Policy and arrangements is included within the Corporate Governance Report.

Legal and regulatory developments

The Committee receives regular reports and considers the impact of legal and regulatory developments on the UK Group to control legal and regulatory risk. It monitors the application and impact of any actions required by the business or organisation through to completion. Reports are shared with relevant business areas, and with relevant subsidiary Boards and Board Committees.

The year ahead

In 2023, the Committee will continue to provide oversight of financial reporting and internal controls of the Group. Key areas of focus for the Committee will be the Group's reporting under IFRS 17, which became effective from 1 January 2023, and the increasing maturity of the control environment, the resourcing and scope

of work of GIA as the Group continues to expand, and continued close attention to geopolitical events which might impact on the Group's operations and stakeholder reporting.

The Committee remains committed to its role in overseeing the integrity of financial reporting and effectiveness of controls.

Andrew McIntyre

Chair of the Group Audit Committee
16 March 2023

'In 2023, the Committee will continue to provide oversight of financial reporting and internal controls of the Group.'

Group Remuneration Report

Group Remuneration Committee Chair's statement

As Chair of the Group Remuneration Committee (the Committee), I am pleased to introduce the Group Remuneration Report for 2022 and to highlight some of the key aspects of the Committee's work during the year. The Committee's principal aim remains to ensure that all colleagues are rewarded fairly according to their contribution to the success of the Group and the quality of their individual performance, keeping carefully in mind the relationship between reward, recruitment and retention.

2022 performance and incentive outcomes

The EIO Group reported a statutory loss before tax of £4.8m in 2022 (2021: profit before tax £79.2m). This result was driven largely by fair value investment losses resulting from the challenging economic environment. The Group delivered Gross Written Premium (GWP) growth of 15% to £559m (2021: £486m) reflecting targeted rate increases as well as strong retention and excellent service delivered to brokers and customers. The broking businesses performed well, with SEIB reporting a profit before tax of £2.9m and Lycetts, owned by Benefact Group, reporting a profit before tax of £3.4m. Our award-winning investment management business, EdenTree also had a good year, achieving record net inflows. These results enabled the Group to award a grant of £20m to our owner Benefact Trust alongside £2.7m through our direct giving programmes.

2022 continued, however, to be a challenging year for customers, brokers, business partners and colleagues alike. The Committee note with thanks the efforts of all our colleagues across the Group in continuing to deliver what matters most to the business, supporting our customers and delivering on the Group's next chapter in our strategy and continued ambition for the future. Our colleagues' dedication to providing excellent customer service is borne out by 98% of customers who report they are satisfied with the service they receive.

2022 was an important year for the Group, with the launch of a new and ambitious Group strategy which aims to raise £250m for good causes by the end of 2025. The integration of our environmental commitments was introduced into our remuneration schemes for 2022 and beyond as we set out in the report last year.

During the year the Group also provided additional support to employees in the context of the cost-of-living crisis and current rate of inflation. For EIO employees, a one-off Financial Wellbeing Award was made of £1,000 (paid in two instalments) to employees who earned £50,000 or less to ensure that support was targeted to those who needed it most.



'2022 was an important year for the Group, with the launch of a new and ambitious Group strategy which aims to raise £250m for good causes by the end of 2025.'

As noted in the 2021 Directors' Remuneration Report, a strategic review of the Group's incentive arrangements was carried out, including engagement with our shareholder, and a number of changes were made including incorporating a 'Greater Good' measure supporting the Group's ambition to build a Movement for Good, incentivising delivery of its charitable giving programme, and reinforcing its commitment to deliver exceptional customer service, and the highest standards of conduct and governance. In considering the annual bonus outcomes for Executive Directors the Committee paid careful attention to the financial performance of the Group and its significant business units, to the strategic and 'Greater Good' performance of the Group, to its solid performance against underwriting targets, and to its continuing strong delivery against the Group's strategic change programme and customer and conduct targets. In its assessment of individual performance during the year, the Committee recognised the strong performance against Executive Directors' personal financial, strategic and wider objectives. The Committee considered that the annual bonus outcomes were a fair reflection of the overall performance achieved by both the Group and the individuals.

The annual bonus awards for 2022 of 78.3% of maximum (which is 100% of salary) for the Group Chief Executive; 72.9% for the Deputy Group Chief Executive; and 64.8% for the Group Chief Financial Officer reflected the performance of the Group during the year. Further details of performance against the targets set for 2022 are disclosed in the Annual Report on Remuneration section

of this report. In line with evolving market practice, and as set out in the 2021 Directors' Remuneration Report, deferral of the bonus has been increased and one-third of the total bonus award will be deferred for three years.

The long-term incentive plan (LTIP) granted in 2020 vested at 35.2%, reflecting the Group's performance against the financial, strategic, customer and conduct targets over the 2020-2022 period. The Committee considered that the LTIP vesting levels were a fair reflection of the overall performance achieved.

In line with the Committee's established practice, the Committee, supported by the Group Chief Risk and Compliance Officer, considered risk management outcomes across the Group as part of its deliberations, including how these had impacted individual performance assessments where relevant. Following this review, the Committee did not consider further risk adjustment of the awards to be necessary.

Base salary

The level of salary increases for UK Ecclesiastical employees is a key consideration in setting the level of any salary increase for Executive Directors. On this basis, the Committee determined that the base salaries of Executive Directors would be increased by 5% (effective 1 April 2023), which is lower than the wider workforce of 6.15%.

Key Committee activities during the year

As reported last year, during 2021 the Committee undertook a strategic review of the Group's Remuneration Policy and incentive design, including the applicable performance measures and targets, to ensure these continue to drive the Group's strategy and long-term performance. These targets now include ESG and climate change considerations. The review was underpinned by the following principles: fair reward; simplification of the Group's incentive arrangements; compliance with evolving regulatory and corporate governance requirements; linking pay and performance; alignment of incentive designs with the Group's strategy and shareholder expectations; and consideration of the reputational impact of any changes. This is the first year of implementation of the changes and the Committee is of the view that the current structure and performance measures are bedding in well for the business and are aligned to the Group's forward-looking strategy.

There are no major changes to the remuneration structure for 2023. During the year the Committee, alongside management, reviewed the approach to target setting and developed a set of guiding principles for future years.

The Committee determined that the remuneration packages of Executive Directors should remain aligned with the Group's strategic objectives and reflect both the experience and track record of the Executive Directors and comparative benchmarking. No changes were proposed to the annual bonus opportunity and LTIP award levels. There are also no changes

proposed to the performance measures and weightings. Full details of the revised incentive arrangements applicable to Executive Directors and the Group's senior leaders are set out in the 'At a Glance' section of this report.

The pension contribution rate for the Group Chief Executive was reviewed in 2021 and aligned with the wider workforce rate of 12% of salary with effect from 1 April 2022.

The Committee considered the Chair's fees as part of its regular review of NEDs' fees. Historically this has been done every two years. Fees were due to be reviewed as at 1 January 2022 but this was delayed as a result of the 2021 pay freeze. The UK has since experienced significant increases in inflation. Consequently, an interim review was undertaken and it was agreed that the approach should be aligned to the total pay settlement for colleagues. Fees were thus increased by 5% with effect from 1 April 2022. It has been agreed that the NED fee review process (including those of the Chair) should be aligned to the employee annual pay review process, and further fee increases have been agreed with effect from 1 April 2023 as set out later in this report. David Henderson took no part in the discussions on his fees, nor the NEDs in discussion of theirs.

The Group's gender pay report for 2022 showed a continuing improvement in the Group's gender pay gap, driven by improvements in the gender representation of those in the lowest pay quartile. This has contributed to our median gender pay gap reducing for a sixth consecutive year to 19.1%, from 20.4% in 2021. The Group

continues to be committed to promoting inclusion and diversity through our business and to ensuring that all employees have a fair and equal pay opportunity appropriate to their role.

The regulatory and corporate governance environment in which the Group operates continues to evolve. During 2022, the Investment Firms Prudential Regime (IFPR) on remuneration policy applicable to EdenTree became effective and we therefore reviewed the EdenTree remuneration arrangements against this.

Conclusion

I value the continued support and counsel of our charitable owner and ultimate shareholder, Benefact Trust Limited, and reaffirm our responsibility to drive sustained and improved performance over the long term through our remuneration strategy, policy and principles.

Sir Stephen Lamport

Chair of the Group Remuneration Committee
16 March 2023

Committee member	Member since	Meetings attended
Sir Stephen Lamport (Chair)	June 2020	5/5
David Henderson	September 2016	5/5
Neil Maidment	March 2020	4/5
Angus Winther	April 2019	5/5

Neil Maidment was unable to attend a Group Remuneration Committee meeting due to a family matter.

'The Group continues to be committed to promoting inclusion and diversity through our business.'

Group Remuneration Committee

Purpose and membership

The Committee is responsible for recommending to the Board the Remuneration Policy for Executive Directors and for setting the remuneration packages for each Executive Director, members of the Group Management Board (GMB), Material Risk Takers and heads of strategic business units. None of the Executive Directors were involved in discussions relating to their own remuneration. The Committee also has overarching responsibility for the Group-wide Remuneration Policy.

During 2022, the Committee held five meetings in total. The Group Remuneration Committee members and their attendance at meetings during the year are set out in the table above. All members are independent Non-Executive Directors (NED) and have the necessary experience and expertise to meet the Committee's responsibilities. There was cross-membership of the Group Risk Committee and the Committee to promote alignment of the Group's Risks and Remuneration Policies and consideration of Risk management and outcomes in setting reward.

Remuneration Committee timetable

The table below sets out the key agenda items discussed at each Committee meeting during 2022.

Meeting	Key discussion points
February 2022	<ul style="list-style-type: none"> • Strategic review of remuneration • 2022 annual bonus and 2022-2024 LTIP design and targets • 2021 Directors' Remuneration Report • Impact of new IFPR regulations • Material Risk Taker list • Evaluation of Committee performance
March 2022	<ul style="list-style-type: none"> • 2021 annual bonus and 2019-2021 LTIP outcomes • Review of 2022 salary proposals • 2022 annual bonus and 2022-2024 LTIP design and targets • 2021 Directors' Remuneration Report • 2022 Committee objectives
July 2022	<ul style="list-style-type: none"> • Strategic review of remuneration • Review of executive remuneration trends • Wider employee trends and policies • Remuneration Policy review and Remuneration Policy Statements • Annual review of Material Risk Taker List
October 2022	<ul style="list-style-type: none"> • Strategic review of remuneration • Material Risk Taker list • Financial Wellbeing Award
December 2022	<ul style="list-style-type: none"> • Strategic review of remuneration • Update on 2022 GMB pay outturns • Wider employee remuneration trends and pay • 2022 Directors' Remuneration Report • Material Risk Taker list • Gender pay gap reporting • Annual audit of EdenTree Remuneration Policy • Annual review of Remuneration Committee Terms of Reference

Advisers to the Committee

Having stepped down as Chair and member of the Committee in September 2021, Caroline Taylor acted as an adviser to the Committee for the period October 2021 to February 2022 to support the strategic review of the Group's Remuneration Policy.

During the year, the Committee received external advice from Deloitte in relation to the strategic review of remuneration; the determination of appropriate remuneration packages for Executive Directors, members of the GMB and heads of strategic business units; and remuneration market trends and regulation. The Committee also had access to benchmarking reports from Willis Towers Watson and McLagan, which provided additional data to support the determination of pay and conditions throughout the Group.

Fees for professional advice to the Committee paid to Deloitte were £97,650 (2021: £137,250). The Committee is satisfied that the advice it received during 2022 from Deloitte was impartial.

To assist its work, during the year the Committee received input from the Group Chief Executive, Group Chief Financial Officer, Group HR Director, Deputy Group HR Director, Group Chief Actuary, Group Chief Risk and Compliance Officer and Group Reward Director. Such input, however, did not relate to their own remuneration.

Remuneration 'At a Glance' – Remuneration Policy summary and implementation for 2023

The table opposite sets out the key features of the Remuneration Policy and how it will be implemented in 2023. The full Remuneration Policy can be found in the 2021 Directors' Remuneration Report. The principles which underpin the Group's reward structures for all Group employees are summarised in the Remuneration Committee Chair's Statement. The full description of the principles, including detail on how the Committee has addressed the principles in the UK Corporate Governance Code of: i) clarity; ii) simplicity; iii) risk; iv) predictability; v) proportionality; and vi) alignment to culture, were set out in last year's Policy Report.

Element of pay	Operation	Implementation for 2023
Base salary	Reviewed annually with any increases normally taking effect in April.	<ul style="list-style-type: none"> CEO: £523,700 Deputy CEO: £457,579 Group Chief Financial Officer: £339,000
Benefits	Benefits normally comprise a car allowance, a private healthcare scheme, income protection, life assurance, medical assessments, and other benefits cover on the same basis as the wider employee population.	No change for 2023
Pension	<p>For 2022, the employer contribution rate to the UK Defined Contribution Scheme for Executive Directors is 12% of salary, in line with the wider employee population. A cash allowance can be paid where pension contributions would be in excess of the HMRC annual and/or lifetime allowance.</p> <p>The employer contribution rate to the Canada Defined Contribution Pension plan is 12% of salary subject to the government's annual contribution limits. Amounts in excess are contributed to a SERP.</p>	No change for 2023
Annual bonus	<p>Maximum opportunity of 100% of salary of which 50% is payable for a target level of performance.</p> <p>Targets are set annually and award levels are determined based on one-year performance against these targets.</p> <p>For 2022, these were:</p> <ul style="list-style-type: none"> i) Benefact Group PBT (including fair value investment gains/losses); ii) Benefact Group PBT (excluding fair value investment gains/losses); iii) Underwriting balanced scorecard; iv) Gross New Money; v) Broking and Advisory turnover; vi) Strategic targets; vii) Greater Good targets; and viii) Personal performance targets. <p>One-third of total bonus earned is deferred over three years. Malus and clawback provisions apply.</p>	<p>The maximum and target opportunities are unchanged for 2023, with targets for 2023 being:</p> <ul style="list-style-type: none"> i) Benefact Group PBT (including fair value investment gains/losses); ii) Benefact Group PBT (excluding fair value investment gains/losses); iii) Underwriting balanced scorecard; iv) Gross New Money; v) Broking and Advisory turnover; vi) Strategic targets; vii) Greater Good targets; and viii) Personal performance targets. <p>One-third of total bonus earned is deferred over three years. Malus and clawback provisions apply.</p>
Long-term incentive plan	<p>The awards are granted annually and operate in three-year periods.</p> <p>Under the rules of the LTIP applicable in 2022, awards can be made of up to 180% of salary in the case of the Group Chief Executive and of up to 120% of salary in the case of other Executive Directors.</p> <p>Targets are set annually for each successive three-year LTIP period. The measures applicable to the 2022-2024 LTIP period were:</p> <ul style="list-style-type: none"> i) Benefact Group PBT (including fair value investment gains/losses); ii) Return on Capital; iii) Underwriting profit; iv) EdenTree revenue; v) Broking and Advisory turnover; vi) Grant to Benefact Trust Limited; and vii) Environmental targets. <p>Malus and clawback provisions apply.</p>	<p>No change to the award levels.</p> <p>The measures applicable to the 2023-2025 LTIP period are:</p> <ul style="list-style-type: none"> i) Benefact Group PBT (including fair value investment gains/losses); ii) Return on Capital; iii) Underwriting profit; iv) EdenTree revenue; v) Broking and Advisory turnover; vi) Grant to Benefact Trust Limited; and vii) Environmental targets. <p>Malus and clawback provisions apply.</p>

Remuneration 'At a Glance' – variable pay outturns

Annual bonus outturn for the year ending 31 December 2022

Further details including information on the performance assessment of the underwriting balanced scorecard, strategic and greater good metrics are set out in the Annual Report on Remuneration section of this report.

Unaudited	Threshold (0.5x)	Target (1.0x)	Maximum (1.5x)	Weighted multiplier
Benefact Group PBT (including fair value investment gains/losses) ¹	£10.0m	£44.6m	£75.1m	0.16
	Actual £18.6m			
Benefact Group PBT (excluding fair value investment gains/losses) ¹	£14.1m	£38.7m	£49.2m	0.31
	Actual £44.1m			
Underwriting balanced scorecard	50%	75%	100%	0.12
	Actual 87.1%			
EdenTree: Gross New Money	£412m	£700m	£988m	0.08
	Actual £1,175.0m			
Broking: Turnover	£45m	£47m	£49m	0.05
	Actual £47.1m			
Strategic targets	50%	75%	100%	0.20
	Actual 90.2%			
Greater Good	85%	90%	100%	0.16
	Actual 91.3%			
Total				1.08

¹ For consistency, amended for prior year adjustments arising from changes to accounting policy and Benefact Group plc consolidation adjustments.

2020-2022 LTIP outturns

Further details including information on the performance assessment of the metrics are set out in the Annual Report on Remuneration section of this report.

Unaudited	Threshold (20% vesting)	Target (50% vesting)	Maximum (100% vesting)	Percentage vesting
Benefact Group PBT ¹ (including fair value investment gains/losses)	£79.5m	£139.5m	£198.8m	22%
Benefact Group PBT ¹ (excluding fair value investment gains/losses)	£88.9m	£133.9m	£163.2m	-
Group COR	96.6%	92.3%	89.3%	37%
Strategic targets	50%	75%	100%	83%
Customer and Conduct	85%	90%	100%	81%
Total				35.2%

¹ For consistency, amended for prior year adjustments arising from changes to accounting policy and Benefact Group plc consolidation adjustments.

Annual Report on Remuneration

This section of the Directors' Remuneration Report sets out how the above Remuneration Policy was implemented in 2022 and the resulting payments each Executive Director received. The financial information contained in this report has been audited where indicated.

Single total figure of remuneration for Executive Directors (audited)

The table below shows a single total figure of remuneration received in respect of qualifying services for the 2022 financial year for each Executive Director, together with comparative figures for 2021.

£000	Fixed remuneration								Variable remuneration						Total remuneration	
	Salary		Benefits ¹		Pension benefit ²		Total		Annual bonus ³		LTIP ⁴		Total		Total	
Executive Director	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Mark Hews	493	475	14	14	53	61	560	550	391	416	245	319	636	735	1,196	1,285
S. Jacinta Whyte ^{5 6}	431	415	25	39	78	74	534	528	318	350	143	185	461	535	995	1,063
Denise Cockrem	319	308	13	13	33	32	365	353	209	221	106	108	315	329	680	682
Total	1,243	1,198	52	66	164	167	1,459	1,431	918	987	494	612	1,412	1,599	2,871	3,030

- 1) Benefits include car allowance and private medical insurance which are valued at their taxable value. Provision of benefits during 2022 was in line with the Directors' Remuneration Policy. The Deputy Group Chief Executive received £15k in 2021 in respect of outstanding annual leave.
- 2) The Group Chief Executive and Group Chief Financial Officer received a cash allowance in lieu of pension, in line with Company policy that a cash allowance of 15% (Group Chief Executive), reducing to 12% from 1 April 2022 or 12% (Group Chief Financial Officer) of salary (net of national insurance contributions) can be paid to UK-based Executive Directors where pension contributions would be in excess of the HMRC annual and/or lifetime allowance.
- 3) In line with the deferral policy, annual bonus earned in respect of 2021 which is in excess of 75% of the maximum bonus opportunity is deferred over a period of three years. For the annual bonus earned in respect of 2022, one-third of the total bonus is deferred over a period of three years. The value of Executive Directors' 2022 annual bonuses that are deferred is: £130k (Group Chief Executive), £106k (Deputy Group Chief Executive) and £70k (Group Chief Financial Officer).
- 4) LTIP represents the amount payable in respect of the three-year LTIP performance period 2020-2022 for 2022 and 2019-2021 for 2021, as disclosed in the 2021 Directors' Remuneration Report. The Group operates a cash LTIP scheme, therefore no part of the award was attributable to share price appreciation. All Executive Directors hold unvested LTIP awards in accordance with the rules of the LTIP plan.
- 5) An average 2022 exchange rate of 1.6124 Canadian dollars to 1 GBP has been used in respect of both 2021 and 2022.
- 6) Contributions to the Canadian pension plan that are above the Canadian Revenue Agency's prescribed limit are paid into a SERP. These contributions for the Deputy Group Chief Executive and interest accruing to the SERP are included in the figures shown.

Mark Hews is a NED for MAPFRE RE and was appointed to their Board in December 2013. The fee of £33k (2021: £30k) that Mark Hews earns in respect of this role is paid directly to the Group by MAPFRE RE and is not received by Mark Hews.

Denise Cockrem is a NED for ITM Power plc and was appointed to their Board in July 2022. The fee of £25.5k that Denise Cockrem earns in respect of this role is paid directly to the Group by ITM Power plc and is not received by Denise Cockrem.

Additional requirements in respect of the single total figure table

Annual bonus outcomes for 2022 (audited)

The annual bonus awards for 2022 were 78.3% of maximum (with the maximum award level being 100% of salary) for the Group Chief Executive; 72.9% for the Deputy Group Chief Executive; and 64.8% for the Group Chief Financial Officer.

The annual bonus outturns were determined taking into account both Group and individual performance.

Individual performance is subject to delivery of personal performance objectives and performance in line with the Group's behavioural competency framework for strategic leaders. A personal performance multiplier of between 0 and 1.5 may be awarded in respect of this element of the annual bonus. The personal performance multiplier is reviewed and agreed by the Committee.

Group performance is subject to the seven performance conditions which together form the business performance multiplier. For 2022 these were Benefact Group PBT (including fair value investment gains and losses) (25%); Benefact Group PBT

(excluding fair value investment gains and losses) (25%); Underwriting balanced scorecard (10%); EdenTree: Gross new money (5%); Broking: Turnover (5%); delivery of Group strategic initiatives in line with the Group's strategic plan (15%); and Greater Good measures (15%).

Results in respect of each performance condition are assessed against the required performance levels set at threshold, target and maximum, in order to calculate the aggregate Group business performance multiplier as shown in the table below. Performance targets for 2022 were not adjusted and remain as originally determined.

The overall bonus outcome at the end of the performance year for each Executive Director is:

Target bonus % X business performance multiplier X personal performance multiplier

The targets relating to the GMB annual bonus and actual performance against those targets for the financial year 2022 were:

Performance Condition (unaudited)	Weighting	Threshold (0.5x)	Target (1.0x)	Maximum (1.5x)	Actual performance	Weighted multiplier
Benefact Group PBT (including fair value investment gains/ losses) ¹	25%	£10.0m	£44.6m	£75.1m	£18.6m	0.16
Benefact Group PBT (excluding fair value investment gains/ losses) ¹	25%	£14.1m	£38.7m	£49.2m	£44.1m	0.31
Underwriting balanced scorecard	10%	50%	75%	100%	87.1%	0.12
EdenTree: Gross New Money	5%	£412m	£700m	£988m	£1,175m	0.08
Broking: Turnover	5%	£45m	£47m	£49m	£47.1m	0.05
Strategic targets	15%	50%	75%	100%	90.2%	0.20
Greater Good measures	15%	85%	90%	100%	91.3%	0.16
Aggregate business performance multiplier						1.08

¹ For consistency, amended for prior year adjustments arising from changes to accounting policy and Benefact Group plc consolidation adjustments.

The underwriting balanced scorecard was based on four targets relating to rate change, retention, new business and rate strength change. There was strong performance across the scorecard which resulted in combined outturn of 87.1% being achieved under this measure for 2022.

The Strategic Targets performance condition measures delivery of the Group's change programme. As set out in more detail in the Strategic Report, 2022 saw significant progress on the Group's strategic initiatives. During the year, the Group delivered transformational Group-wide change. The level and impact of strategic change across the Group is increasing year-on-year with 2022 representing the most material level of change to date. This resulted in an outturn of 90.2% being achieved against the strategic targets measure for 2022.

The Greater Good performance condition measures are aligned to the Group's ambition to build a Movement for Good in order to incentivise delivery of both the Group's charitable giving and colleagues' engagement with the Group's MyGiving programme; and to their commitment to delivering exceptional customer service and the highest standards of conduct and governance. The Customer and Conduct and Governance performance conditions measure delivery across a range of customer and conduct metrics. Customer satisfaction continued to be high through 2022, with customers and brokers reporting that they were satisfied with the service they received from Ecclesiastical. Targets in respect of compliance with the Group's risk appetite; regulatory feedback; the Group's rolling programme of product

reviews; complaints handling; data security; and timely resolution of internal audit and compliance findings were met in full. Overall in 2022, this resulted in an overall outturn of 91.3% being achieved against the Greater Good measures.

Personal performance

Personal performance was assessed taking into consideration delivery against the Group's business plans for 2022, personal objectives and performance in line with the Group's behavioural competency framework for strategic leaders. The table below provides an overview of the personal performance achieved by each Executive Director based on their objectives.

The assessment of personal performance for 2022 is set out below.

Mark Hews	<p>Provided outstanding leadership during 2022 across the Group during a year in which the Group successfully launched new brands for the Benefact Group culminating in the Service of Thanksgiving at Westminster Abbey.</p> <p>The Group's reported profit before tax decreased, due largely to fair value investment losses resulting from the challenging economic environment. Underlying business performance was strong, and the Group remains financially resilient.</p> <p>The Group continued to deliver and act as a trusted partner looking after a wide range of customers and business partners. This is reflected in strong retention and satisfaction levels and growth across all divisions in the Group.</p> <p>During 2022 Mark Hews additionally oversaw the delivery of genuinely transformational Group-wide change including the roll out and embedding of the next chapter of the Group's strategy which includes ambitious sustainability goals, further investment in new systems and a new legal structure for Benefact Group. Employee engagement levels remained high, with the Group retaining a two-star 'outstanding' accreditation by Best Companies reflecting the Group's commitment to supporting colleagues and positive progress towards the Group's goal of being an employer of choice.</p>
S. Jacinta Whyte	<p>Continued to provide strong and consistent leadership across the Group's General Insurance portfolio of businesses. The Group's insurance businesses performed strongly with excellent growth in gross written premiums driven by new business wins and supported by rate strengthening. Jacinta Whyte played a central leadership role in the Group's growth strategy ensuring that the Group's general insurance businesses continued to drive improvement across the core disciplines of underwriting, claims management, risk management and business development.</p>
Denise Cockrem	<p>Maintained the financial strength of the Group positioning the business to enable future aspirations for growth. Oversaw several key programmes including IFRS 17, operational resilience and business optimisation.</p> <p>Denise Cockrem additionally assumed responsibility for the oversight of a programme of work to reinforce and further develop the Group's overall approach to and management of data, enabling the Group to be increasingly strategic in its use of data as an asset.</p>

Bonuses are earned in respect of the financial year and are paid in March following the end of the financial year. One-third of the total annual bonus is deferred over three years, in cash, and all annual bonus outcomes are subject to malus and clawback as set out in full in the 2021 Directors' Remuneration Report.

LTIP outcomes in 2022 (audited)

The LTIP amount included in the single total figure of remuneration is the cash award resulting from the Group LTIP grant for the period 2020-2022, which vested at 35.2%. Vesting was dependent on performance over the three financial years ending on 31 December 2022.

The 2020-2022 Group LTIP is subject to five performance conditions: Benefact Group PBT (excluding fair value investment gains and losses) (25%); Benefact Group PBT (including fair value investment gains and losses) (25%); Group COR (25%); delivery of Group strategic initiatives in line with the Group's strategic plan (15%); and Customer and Conduct performance (10%). Results in respect of each performance condition are assessed against the required performance levels set at threshold, target and maximum as shown below. Performance targets were not adjusted and remain as originally determined.

Performance condition	Weighting	Threshold – 20% vesting	Target – 50% vesting	Maximum – 100% vesting	Actual	Vesting (% of maximum for performance condition)
(unaudited)						
Benefact Group PBT (excluding fair value investment gains and losses) ¹	25%	£88.9m	£133.9m	£163.2m	£75.0m	-
Benefact Group PBT (including fair value investment gains and losses) ¹	25%	£79.5m	£139.5m	£198.8m	£82.6m	22%
Group COR	25%	96.6%	92.3%	89.3%	94.2%	37%
Strategic Targets	15%	50%	75%	100%	91.7%	83%
Customer and Conduct	10%	85%	90%	100%	96.1%	81%
Total						35.2%

¹ For consistency, amended for prior year adjustments arising from changes to accounting policy and Benefact Group plc consolidation adjustments.

The Strategic Targets performance condition measures delivery of the Group's change programme over the period 2020–2022. During the performance period, the Group surpassed its target of delivering £100m to good causes. Other key achievements include the implementation of enhanced systems and technology across the Group's businesses; welcoming new brokers into the Group's expanding broking business; investment in people and expertise; launching the new Ecclesiastical and Benefact Group brands; further strengthening the Group's award-winning EdenTree business; adoption of a climate change strategy for the Group; and the launch of an ambitious new strategy for the Group. Overall, substantial progress has been made on the Group's change programme, resulting in an outturn of 91.7% being achieved against the strategic targets measure for 2020-2022.

The Customer and Conduct performance condition measures delivery against the Group's customer and conduct metrics. Targets in respect of compliance with the Group's risk appetite; regulatory feedback; complaints handling; data security; and timely resolution of internal audit and compliance findings were met in full throughout the period. Claims service outturns were slightly below target in 2020, reflecting the challenges of Covid-19, but met in full in 2021. Targets relating to the Group's rolling programme of product reviews were met in full in 2021 and 2020. An overall outturn of 96.1% was achieved over the period.

Combining the financial and non-financial performance results in an overall vesting level of 35.2%.

The Group LTIP outcome that vests in respect of each Executive Director in respect of 2020-2022 is shown below.

	LTIP grant	Total LTIP vesting	
	% of salary	£000	% of maximum
Mark Hews	150%	245	35.2%
S. Jacinta Whyte ¹	100%	143	35.2%
Denise Cockrem	100%	106	35.2%

¹ An average 2022 exchange rate of 1.6124 Canadian dollars to 1 GBP has been used in respect of 2022.

Scheme interests awarded during 2022 (audited)

During 2022, awards comprising of a cash sum were granted under the 2022-2024 Group LTIP to each Executive Director as set out below. These awards will vest, and the cash sum will be transferred to the award holder, in March 2025, to the extent that the applicable performance targets are met. The vesting date for these awards is the date on which the Group's 2024 results are announced, anticipated to be during March 2025.

Executive Director	Award date	Maximum cash sum subject to the award (% base salary)	Face value of award at grant (£000s)	Cash award if threshold performance achieved (% base salary)	End of the period over which the performance targets have to be fulfilled	Performance measures ¹
2022-2024 Group LTIP						
Mark Hews	5 July 2022	180%	855	20%	31 December 2024	<ul style="list-style-type: none"> • Benefact Group PBT (including fair value investment gains/losses) 30%; • Return on Capital 30%; • GI Underwriting Profit 10%; • EdenTree Revenue 5%; • Broking and Advisory Turnover 5%; • Grant to Benefact Trust Limited 10%; and • Environmental targets 10%
S. Jacinta Whyte ²	5 July 2022	120%	498	20%	31 December 2024	
Denise Cockrem	5 July 2022	120%	369	20%	31 December 2024	

¹ Vesting occurs on a straight line basis between pre-determined milestones set in relation to threshold, target and maximum performance. These will be disclosed on a retrospective basis in the Directors' Remuneration Report for the year for which the Group LTIP awards vest.

² An average 2022 exchange rate of 1.6124 Canadian dollars to 1 GBP has been used.

The information provided in this part of the Annual Report on Remuneration is not subject to audit.

Chief Executive pay ratio

The Group structure means that it does not have to comply with the regulations governing the disclosure of executive remuneration to which quoted companies are subject. The Group has nonetheless chosen to disclose the ratio of the Group Chief Executive's pay to that of other UK employees¹ in the Group in order to provide greater transparency.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option A ²	28:1	21:1	15:1
2021	Option A ²	32:1	23:1	17:1
2020	Option A ²	30:1	23:1	16:1
2019	Option A ²	40:1	29:1	21:1

The total remuneration and salary values for the 25th, median and 75th percentile employees for 2022 were:

	25th percentile	Median	75th percentile
Total remuneration ³	£42,587	£57,136	£81,029
Salary	£35,716	£46,314	£63,847

¹ The table sets out the ratio between the Group Chief Executive's total remuneration and that of the 25th percentile, median and 75th percentile UK-based employees of Ecclesiastical Insurance Office plc (excluding SEIB), which constitute the large majority of the UK employee population. The Committee is satisfied that the individuals identified appropriately reflect the employee remuneration profile at the lower, median and upper quartile and that the overall picture presented by the ratios is consistent with the Group's wider policies pay, reward and progression policies for the Group's UK-based employees.

² The calculation is based on Option A as set out in the regulations for listed companies, as this is considered to be the most accurate way of identifying employees at the 25th percentile, median and 75th percentile.

³ Total remuneration reflects all remuneration received by the individual in the relevant year, including base salary, benefits, pension, annual bonus and, where relevant, the long-term incentive that vests, but excludes taxable company car benefits and taxable travel and accommodation expenses for administrative reasons. Calculations have been carried out on a full-time equivalent basis as at 31 December 2022.

The Group Chief Executive was paid 21 times the median employee in 2022, with the CEO pay ratios being broadly consistent with the prior year. The pay ratio is considered appropriate as a large proportion of the Group Chief Executive's pay is based on the performance of the Group, business units, and the individual on both short-term and long-term time horizons. 2022 awards under both the Group's GMB and employee annual bonus schemes were lower in comparison to the prior year, in line with 2022 performance. Vesting of the 2020-2022 Group LTIP was lower than the prior year. The salary increase for the CEO in April 2022 was in line with the wider workforce.

Percentage change in remuneration of all Directors and UK-based employees

The table below shows the percentage year-on-year change in salary, benefits and annual bonus (from 2021 to 2022) for the Board Directors compared with UK-based employees¹. The Committee has selected this comparator group as being the most appropriate because the composition and structure of remuneration for this group most closely reflect that of the Board.

	Salary	Taxable benefits ²	Annual bonus
Executive Directors			
Mark Hews	3.8%	0.1%	-6.0%
Jacinta Whyte	3.8%	-35.2%	-9.3%
Denise Cockrem	3.8%	0%	-5.3%
UK-based employees			
Average UK-based employees ¹	6.6%	5.6%	-8.5%

¹ UK-based employees of Ecclesiastical Insurance Office plc; excluding employees in SEIB; matched sample basis.

² Based on contractual P11D taxable benefits for the tax year ending 5 April in the relevant year. Taxable benefits include car allowance and private medical insurance for Executive Directors and private medical insurance for UK-based employees (taxable company car benefits and taxable travel and accommodation expenses are excluded for administrative reasons). The decrease for the Deputy Group Chief Executive in 2022 is due to a payment of £15k received in 2021 in respect of outstanding annual leave.

Relative importance of spend on pay

The table below sets out for 2022 and 2021, the actual costs of employee remuneration; grants paid to Benefact Trust Limited; and dividends paid to Preference shareholders. Benefact Group PBT in each year is provided for context.

£000	2022	2021 ¹	% change
Remuneration paid to all Group employees ²	92,834	84,463	9.9%
Gross charitable grants to the ultimate parent company, Benefact Trust Limited	20,000	21,000	-4.8%
Non-Cumulative Irredeemable Preference share dividend	9,181	9,181	Nil
(Loss)/profit before tax ²	(4,773)	79,178	n/a

¹ To ensure comparability between years, the comparatives have been re-presented for changes in accounting policy, discontinued operations and the amounts recharged to related undertakings not within the Group.

² Ecclesiastical Insurance Office plc (EIO) Group.

Group Chief Executive pay for performance comparison

The table below shows the single figure of total remuneration for the incumbent, Mark Hews, and prior Group Chief Executive, Michael Tripp, for the ten years to 31 December 2022.

		Financial year ending 31 December									
Financial year	Group Chief Executive ¹	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration (single figure) £000	Mark Hews	569	907	1,089	1,370	1,212	1,240	1,489	1,116	1,285	1,196
	Michael Tripp	330	162	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual bonus received (% of maximum)	Mark Hews	45%	78%	88%	97%	99%	84%	96%	45%	88%	78%
	Michael Tripp ²	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long-term incentive vesting (% of maximum)	Mark Hews ³	4%	60%	70%	88%	75%	88%	86%	54%	47%	35%
	Michael Tripp ⁴	4%	47%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

¹ Michael Tripp resigned from the Board on 21 May 2013 and Mark Hews was appointed Group Chief Executive on 1 May 2013, having previously held the position of Group Chief Financial Officer. The total remuneration single figure value for both Michael Tripp and Mark Hews is shown for 2013.

² Michael Tripp received no payment under the annual bonus or the Executive Director's LTIP for performance in 2013. He did, however, receive a payment (£100k) under the terms of a discretionary arrangement put in place to incentivise the delivery of a smooth transition of the management to the successor in the role of Group Chief Executive. The maximum opportunity was capped at three months' salary.

³ The LTIP vesting relevant to Mark Hews represents the amount vesting in respect of the three-year LTIP performance period 2012-2014 for 2014, 2013-2015 for 2015 and 2014-2016 for 2016, together with the amounts vesting in respect of the Group Chief Executive's three-year incentive plan in 2014, 2015 and 2016 respectively. The Group Chief Executive's three-year incentive plan concluded at the end of 2016. LTIP vesting in 2017 and subsequent years represent the amounts vesting in respect of the relevant three-year LTIP performance period only.

⁴ Michael Tripp received a 2013 LTIP payment in respect of performance in the years 2011 and 2012 (only) under the 2011-2013 LTIP. He received a 2014 LTIP payment in respect of performance in 2012 (only) under the 2012-2014 LTIP.

Directors' service agreements

Mark Hews has a service contract which provides for a notice period of 12 months by the Company. S. Jacinta Whyte and Denise Cockrem have service contracts which provides for a notice period of 6 months by the Company. No NED has a service contract.

Payments for loss of office (audited)

No termination payments were made to Executive Directors in 2022.

Wider employee engagement

The Group consults with its recognised Union, Unite, regarding remuneration for employees within relevant UK businesses. Additionally, employees can provide feedback via the Group's employee engagement survey and to their managers or HR. The Group HR Director attends the Committee meetings and advises the Committee on HR strategy, including the effectiveness of the Group's remuneration policies and how they are viewed by employees.

Single total figure of remuneration for NEDs (audited)

NEDs do not participate in any of the Group's incentive arrangements.

The Board believes that it is appropriate that the level of fees paid to NEDs should reflect equivalent fees paid by organisations of similar size and complexity while being mindful that the Group is owned by a charity. This will enable the Group to attract NEDs of the calibre required to help the Group to implement its future strategy.

NED fees were last reviewed by the Board in November 2022 with increased fees becoming effective from 1 April 2023. Prior to that, fees were increased on 1 April 2022, and it is planned that fees will now be reviewed annually. The fees set out below are commensurate with the demands and responsibilities of the NED roles.

£	Fees		Taxable Benefits ¹	
Non-Executive Directors	2022	2021	2022	2021
David Henderson	150,437	145,000	636	182
Chris Moulder	77,813	75,000	802	-
Rita Bajaj ²	57,062	25,417	829	-
Francois-Xavier Boisseau ³	70,550	61,500	-	-
Sir Stephen Lamport ⁴	70,550	59,087	1,127	385
Neil Maidment	57,062	55,000	-	-
Andrew McIntyre	70,550	68,000	-	-
Angus Winther	68,475	66,000	-	-
Caroline Taylor ⁵	-	46,879	-	222
Total	622,499	601,883	3,394	789

¹ Benefits are travel and accommodation expenses only, valued at their grossed up tax and NI value, in accordance with Group's travel and expenses policy.

² Rita Bajaj was appointed as a NED on 15 July 2021.

³ Francois-Xavier Boisseau was appointed as the Consumer Duty Champion on 27 September 2022. He also undertakes a Broker Oversight role having been appointed on 1 July 2021.

⁴ Sir Stephen Lamport was appointed as the Chair of the Group Remuneration Committee on 8 September 2021.

⁵ Caroline Taylor was retired from the Board and as Chair of the Group Remuneration Committee on 8 September 2021.

The information provided in this part of the Annual Report on Remuneration is not subject to audit.

Statement of implementation of Remuneration Policy in 2023

The implementation of the Remuneration Policy will be consistent with that outlined in the Directors' Remuneration Policy 'At a Glance' section. The full Remuneration Policy can be found in the 2021 Directors' Remuneration Report. Details of how this policy will apply in 2023 are set out below.

Salary (Executive Directors)

Executive Directors' salaries are reviewed annually in line with the Directors' Remuneration Policy. The level of salary increases for UK Ecclesiastical employees is a key consideration in setting the level of any salary increase for Executive Directors. After careful consideration the Committee determined that the salaries of Executive Directors would be increased by 5%, which is lower than the wider workforce of 6.15%. The following salaries will apply from 1 April 2023:

£000	Salary	Salary	Percentage increase
	1 April 2023	1 April 2022	
Mark Hews	524	499	5.0%
S. Jacinta Whyte ¹	458	436	5.0%
Denise Cockrem	339	323	5.0%

¹ An average 2022 exchange rate of 1.6124 Canadian dollars to 1 GBP has been used.

Annual bonus for 2023

The annual bonus performance conditions and targets have been set in accordance with the Directors' Remuneration Policy.

As set out above, a strategic review of the Group's incentive arrangements was carried out in 2021, with the resulting revised arrangements below applying from 2022.

The annual bonuses payable to Executive Directors in respect of 2023 will be assessed based on both Group and individual performance. Individual performance continues to be subject to delivery of personal performance objectives and performance in line with the Group's culture and behaviours framework, expressed as a personal performance multiplier. Group performance is subject to seven performance conditions which together form the Group performance multiplier. For 2023, these will be unchanged as follows:

Group performance measures	Percentage weighting
Benefact Group PBT (including fair value investment gains and losses)	25%
Benefact Group PBT (excluding fair value investment gains and losses)	25%
Underwriting balanced scorecard	10%
Gross New Money	5%
Broking and Advisory Turnover	5%
Delivery of Group strategic initiatives in line with the Group's strategic plan	15%
Greater Good (including charitable giving; employee engagement with MyGiving programme; customer; and conduct and governance)	15%

The overall bonus outcome at the end of the performance year for each Executive Director is:

Target bonus % X business performance multiplier X personal performance multiplier

The maximum opportunity under the annual bonus plan in 2023 is 100% of salary. Annual bonuses in respect of 2023 will be subject to deferral over a period of three years, of one-third of the total annual bonus awarded.

LTIP for 2023-2025

The 2023-2025 LTIP performance conditions and targets have been set in accordance with the Directors' Remuneration Policy above. The performance conditions below applying for the 2023-2025 Group LTIP:

Group performance measures	Percentage weighting
Benefact Group PBT (including fair value investment gains and losses)	30%
Return on Capital	30%
General Insurance Underwriting Profit	10%
EdenTree Revenue	5%
Broking and Advisory Turnover	5%
Grant to Benefact Trust Limited	10%
Environmental targets	10%

Awards under the 2023-2025 Group LTIP will be up to 180% of salary in the case of the Group Chief Executive and up to 120% of salary in the case of the Deputy Group Chief Executive and Group Chief Financial Officer.

Fees (Non-Executive Directors)

The following table sets out the current and future fee structure which will apply from 1 April 2023.

£000	Fees (effective 1 April 2022)	Fees (effective 1 April 2023)
All-inclusive fee for the Group Chair	152	160
All-inclusive fee for the Senior Independent Director	79	83
Basic fee for a NED (including Committee Membership)	58	61
Fee for chairing the Group Audit Committee	14	15
Fee for chairing the Group Remuneration Committee	14	15
Fee for chairing the Group Risk Committee	14	15
Fee for Broker Oversight Role	14	15
Fee for chairing the Group Finance and Investment Committee	12	12
Fee for chairing the Group Nominations Committee ¹	12	12
Fee for workforce engagement NED	-	4
Fee for Consumer Duty Champions (two years only)	-	5

¹ The fee for chairing the Group Nominations Committee is included within the all-inclusive fee for the Senior Independent Director.

By order of the Board

Sir Stephen Lamport

Chair of the Group Remuneration Committee

16 March 2023

Section Three

Financial Statements

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Independent auditors' report to the members of Ecclesiastical Insurance Office plc

Report on the audit of the financial statements

Opinion

In our opinion, Ecclesiastical Insurance Office plc's Group financial statements and Parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2022 and of the Group's loss and the Group's and Parent company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2022 (the "Annual Report"), which comprise: Consolidated and parent statements of financial position as at 31 December 2022; Consolidated statement of profit or loss, Consolidated and parent statements of comprehensive income, Consolidated and parent statements of cash flows and Consolidated and parent

statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Group Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 12, we have provided no non-audit services to the Parent company or its controlled undertakings in the period under audit.

Our audit approach

Context

The Company is a UK headquartered general insurer. The majority of business is written in the UK; however, it also has branches in Ireland and Canada and subsidiaries in Australia. The Group of companies headed/ owned by Ecclesiastical Insurance Office includes subsidiaries that carry out life insurance, investment management and financial advisory business. The Company also owned an insurance broking business which was sold in the year to a related party.

Overview

Audit scope

- We have scoped the audit based on the financially significant components and material account balances within the Group, which are described below.

Key audit matters

- Assumptions used in calculating Physical and Sexual Abuse "PSA" reserves (Group and Parent)

Materiality

- Overall Group materiality: £10,000,000 (2021: £11,382,000) based on 1.6% of Net assets.

- Overall Parent company materiality: £9,500,000 (2021: £10,813,000) based on 1.7% of Net assets.
- Performance materiality: £7,500,000 (2021: £8,536,000) (Group) and £7,125,000 (2021: £8,109,000) (Parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The appropriateness of the assumptions used to value the Asbestos reserves, which was part of the key audit matters in relation to general insurance reserves last year, is no longer included because of the level of subjectivity in relation to the assumptions decreasing. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

Assumptions used in calculating Physical and Sexual Abuse "PSA" reserves (Group and Parent)

As disclosed in the Group Audit Committee Report and notes 2, 3 and 28. The valuation of the general insurance liabilities is a complex process involving inherent uncertainty and is one of the most significant areas of management judgement within the financial statements of the Group and Parent company. We consider the area of significant judgement to be specific to assumptions used in calculating the reserves for PSA exposures, which contribute to the liability reserves held as at the balance sheet date described in note 3. Specifically in relation to the incurred but not reported ('IBNR') element of these reserves. Specifically, the assumptions requiring significant judgement and estimation are claims frequency, claim severity, the discount rate, future inflation, and the reserve margin.

The uncertainty around claims frequency, claims severity, discount rate, future inflation and reserve margin require significant management judgement and estimation in setting the reserves.

How our audit addressed the key audit matter

With involvement from our Actuarial specialists we have performed the following procedures:

- Observed the Reserving Committee control which reviews, challenges and approves the assumptions used within the calculation of the reserves
- Challenged the assumptions used by management and considered reasonable alternative assumptions and the impact on the level of reserves calculated. This includes consideration of the historic claim numbers, average claims cost, the current regulatory environment and IICSA review (in the UK), discount rate, future claims inflation and level of margin
- We have assessed the appropriateness of the resulting reserves based on the assumptions selected.

Based on the work performed and evidence obtained, we consider the assumptions used in the calculation of the PSA reserves to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent company, the accounting processes and controls, and the industry in which they operate.

The Group operates a general insurance business in the United Kingdom, Ireland, Canada and Australia. It also operates a life insurance business, an investment management business and up until December 2022 an insurance broking business all within the United Kingdom. The Group includes certain non-insurance entities within the United Kingdom and Australia which are smaller and do not form part of our in-scope components.

We consider the general insurance business in the United Kingdom and the consolidation adjustments to be financially significant reporting components. We have performed a full scope audit of these components. The general insurance business in Canada and Australia as well as the life insurance business, an investment management business and an insurance broking business within the United Kingdom were noted to include specific large balances. These large balances have then been brought into the scope of our audit.

The result of the above scoping was that we achieved greater than 95% coverage of gross written premiums and insurance contract liabilities.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process that has been adopted to assess the extent of the potential impact of climate risk on the Group's and Parent's financial statements and to support disclosures made. We remained alert when performing our audit procedures for any indicators of the impact of climate risk, including in our testing of going concern, valuation of investment property and valuation of reserves which have been identified as the areas of higher risk of impact. We also considered the consistency of the disclosures in relation to climate change between the Annual Report and the financial statements based on the knowledge obtained from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Parent company
Overall materiality	£10,000,000 (2021: £11,382,000).	£9,500,000 (2021: £10,813,000).
How we determined it	1.6% of Net assets	1.7% of Net assets
Rationale for benchmark applied	The engagement team concluded that a net assets benchmark is the most appropriate when setting an overall materiality on the 2022 audit engagement. In our view, we consider net assets to be the appropriate benchmark as it best aligns with the underlying interest of the stakeholders. The quantum of materiality was determined by considering the various benchmarks available to us as auditors, our experience of auditing other insurance groups and the business performance during 2022.	The engagement team concluded that a net assets benchmark is the most appropriate when setting an overall materiality on the 2022 audit engagement. In our view, we consider net assets to be the appropriate benchmark as it best aligns with the underlying interest of the stakeholders. The quantum of materiality was determined by considering the various benchmarks available to us as auditors, our experience of auditing other insurance groups and the business performance during 2022.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £2.0 million and £9.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £7,500,000 (2021: £8,536,000) for the Group financial statements and £7,125,000 (2021: £8,109,000) for the Parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Group Audit Committee that we would report to them misstatements identified during our audit above £500,000 (Group audit) (2021: £560,000) and £475,000 (Parent company audit) (2021: £540,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Parent company's ability to continue to adopt the going concern basis of accounting included:

- obtained and reviewed management's going concern assessment which included the Board approved income statement, balance sheet, cash flow and solvency forecasts, along with stressed and downside scenarios;
- considered the forward looking assumptions and assessed the reasonableness of these based on recent historic performance;
- considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment; and
- considered our own independent alternative downside scenarios and whether these could impact the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that

fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being

satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line

with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulation, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the financial statements and management bias in accounting estimates, specifically the valuation of specific general insurance reserves including Physical and Sexual Abuse ("PSA") reserves (see Key Audit Matters section). The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- enquired of compliance, risk, internal audit, and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- read key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- reviewed relevant meeting minutes including those of the Group Board, Group Audit Committee and Group Risk Committee;
- procedures related to the valuation of specific general insurance reserves such as PSA reserves described in the related key audit matter;
- risk based target testing of journal entries, in particular any journal entries which include characteristics which were identified as potentially being indicative of a fraudulent journal; and
- procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Group Audit Committee, we were appointed by the members on 18 June 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2020 to 31 December 2022.

Sue Morling (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory
Auditors
Bristol
16 March 2023

Consolidated statement of profit or loss for the year ended 31 December 2022

	Notes	2022 £000	Restated* 2021 £000
Revenue			
Gross written premiums	5, 6	558,551	486,211
Outward reinsurance premiums	6	(238,069)	(198,601)
Net change in provision for unearned premiums	6	(16,505)	(14,620)
Net earned premiums		303,977	272,990
Fee and commission income	7	63,533	55,417
Other operating income		2,020	1,136
Net investment return	8	4,058	102,897
Total revenue		373,588	432,440
Expenses			
Claims and change in insurance liabilities	9	(285,680)	(269,633)
Reinsurance recoveries	9	136,507	123,822
Fees, commissions and other acquisition costs	10	(108,696)	(95,649)
Other operating and administrative expenses		(118,036)	(109,514)
Total operating expenses		(375,905)	(350,974)
Operating (loss)/profit		(2,317)	81,466
Finance costs		(2,456)	(2,288)
(Loss)/profit before tax from continuing operations	5	(4,773)	79,178
Tax credit/(expense)	14	3,015	(18,021)
(Loss)/profit for the year from continuing operations	11	(1,758)	61,157
Net profit attributable to discontinued operations	16	13,696	338
Profit for the year (attributable to equity holders of the Parent)		11,938	61,495

*The comparative financial statements have been restated as detailed in note 40.

Consolidated and parent statements of comprehensive income for the year ended 31 December 2022

	Notes	2022		Restated* 2021	
		Group £000	Parent £000	Group £000	Parent £000
Profit for the year		11,938	23,572	61,495	66,335
Other comprehensive (expense)/income					
<i>Items that will not be reclassified to profit or loss:</i>					
Actuarial (losses)/gains on retirement benefit plans	19	(10,171)	(10,171)	38,660	38,660
Attributable tax		2,543	2,543	(8,098)	(8,098)
		(7,628)	(7,628)	30,562	30,562
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Gains/(losses) on currency translation differences	27	5,392	2,470	(2,356)	551
(Losses)/gains on net investment hedges	27	(4,514)	(1,938)	1,912	(713)
Attributable tax	27	825	485	(183)	131
		1,703	1,017	(627)	(31)
Net other comprehensive (expense)/income		(5,925)	(6,611)	29,935	30,531
Total comprehensive income (attributable to equity holders of the Parent)		6,013	16,961	91,430	96,866

*The comparative financial statements have been restated as detailed in note 40.

Consolidated and parent statements of changes in equity for the year ended 31 December 2022

Group	Notes	Share capital £000	Share premium £000	Revaluation reserve £000	Translation and hedging reserve £000	Retained earnings £000	Total £000
At 1 January 2022		120,477	4,632	268	17,603	491,981	634,961
Profit for the year		-	-	-	-	11,938	11,938
Other net income/(expense)		-	-	-	1,703	(7,628)	(5,925)
Total comprehensive income		-	-	-	1,703	4,310	6,013
Dividends	15	-	-	-	-	(9,181)	(9,181)
Gross charitable grant	15	-	-	-	-	(20,000)	(20,000)
Tax relief on charitable grant	15	-	-	-	-	3,800	3,800
Reserve transfers		-	-	(46)	-	46	-
At 31 December 2022		120,477	4,632	222	19,306	470,956	615,593
At 31 December 2020 (as reported)		120,477	4,632	599	18,230	425,290	569,228
Restatement*		-	-	-	-	494	494
At 1 January 2021 (as restated*)		120,477	4,632	599	18,230	425,784	569,722
Profit for the year		-	-	-	-	61,495	61,495
Other net (expense)/income		-	-	(18)	(627)	30,580	29,935
Total comprehensive (expense)/income		-	-	(18)	(627)	92,075	91,430
Dividends	15	-	-	-	-	(9,181)	(9,181)
Gross charitable grant	15	-	-	-	-	(21,000)	(21,000)
Tax relief on charitable grant	15	-	-	-	-	3,990	3,990
Reserve transfers		-	-	(313)	-	313	-
At 31 December 2021 (as restated*)		120,477	4,632	268	17,603	491,981	634,961
Parent							
At 1 January 2022		120,477	4,632	269	7,036	420,088	552,502
Profit for the year		-	-	-	-	23,572	23,572
Other net income/(expense)		-	-	-	1,017	(7,628)	(6,611)
Total comprehensive income		-	-	-	1,017	15,944	16,961
Dividends		-	-	-	-	(9,181)	(9,181)
Gross charitable grant		-	-	-	-	(20,000)	(20,000)
Tax relief on charitable grant		-	-	-	-	3,800	3,800
Group tax relief in excess of standard		-	-	-	-	(105)	(105)
Reserve transfers		-	-	(359)	-	359	-
At 31 December 2022		120,477	4,632	(90)	8,053	410,905	543,977
At 31 December 2020 (as reported)		120,477	4,632	600	7,067	348,644	481,420
Restatement*		-	-	-	-	494	494
At 1 January 2021 (as restated*)		120,477	4,632	600	7,067	349,138	481,914
Profit for the year		-	-	-	-	66,335	66,335
Other net (expense)/income		-	-	(18)	(31)	30,580	30,531
Total comprehensive (expense)/income		-	-	(18)	(31)	96,915	96,866
Dividends		-	-	-	-	(9,181)	(9,181)
Gross charitable grant		-	-	-	-	(21,000)	(21,000)
Tax relief on charitable grant		-	-	-	-	3,990	3,990
Group tax relief in excess of standard		-	-	-	-	(87)	(87)
Reserve transfers		-	-	(313)	-	313	-
At 31 December 2021 (as restated*)		120,477	4,632	269	7,036	420,088	552,502

Consolidated and parent statements of financial position at 31 December 2022

	Notes	31 December 2022		<i>Restated*</i> 31 December 2021		<i>Restated*</i> 1 January 2021	
		Group £000	Parent £000	Group £000	Parent £000	Group £000	Parent £000
Assets							
Goodwill and other intangible assets	17	30,255	28,158	52,512	27,501	54,353	24,265
Deferred acquisition costs	18	52,526	42,130	46,027	36,740	41,989	33,472
Deferred tax assets	30	8,565	31	8,480	-	1,078	-
Pension surplus	19	15,338	15,338	28,304	28,304	1,053	1,053
Property, plant and equipment	20	31,405	30,906	35,245	32,771	38,316	34,726
Investment property	21	140,846	140,846	163,355	162,822	142,142	142,142
Financial investments	22	870,749	636,637	883,770	707,106	820,777	650,787
Reinsurers' share of contract liabilities	28	306,962	201,246	253,436	170,909	208,677	134,516
Current tax recoverable		4,212	4,212	5	5	7,986	5,497
Other assets	24	310,788	269,017	240,910	194,808	216,570	161,114
Cash and cash equivalents	25	104,664	66,569	114,036	48,437	104,429	59,466
Assets classified as held for distribution	16	14,999	3,722	-	-	-	-
Total assets		1,891,309	1,438,812	1,826,080	1,409,403	1,637,370	1,247,038
Equity							
Share capital	26	120,477	120,477	120,477	120,477	120,477	120,477
Share premium account		4,632	4,632	4,632	4,632	4,632	4,632
Retained earnings and other reserves		490,484	418,868	509,852	427,393	444,613	356,805
Total shareholders' equity		615,593	543,977	634,961	552,502	569,722	481,914
Liabilities							
Insurance contract liabilities	28	979,300	696,024	939,069	669,375	868,155	615,708
Investment contract liabilities	33	58,479	-	15,519	-	-	-
Lease obligations	34	19,062	18,712	22,738	20,806	25,450	22,838
Provisions for other liabilities	29	5,961	5,870	6,373	6,068	6,499	5,842
Retirement benefit obligations	19	4,960	4,960	7,058	7,058	6,530	6,530
Deferred tax liabilities	30	36,723	35,905	48,965	46,733	29,846	28,562
Current tax liabilities		308	228	1,232	819	1,293	1,293
Deferred income	31	33,167	26,929	28,385	21,951	25,908	18,858
Subordinated liabilities	32	25,818	25,818	24,433	24,433	-	-
Other liabilities	31	101,443	80,389	97,347	59,658	93,561	55,087
Liabilities classified as held for distribution	16	10,495	-	-	-	-	-
Total liabilities		1,275,716	894,835	1,191,119	856,901	1,067,648	765,124
Total shareholders' equity and liabilities		1,891,309	1,438,812	1,826,080	1,409,403	1,637,370	1,247,038

*The comparative financial statements have been restated as detailed in note 40.

The financial statements of Ecclesiastical Insurance Office plc, registered number 24869, on pages 126 to 201 were approved and authorised for issue by the Board of Directors on 16 March 2023 and signed on its behalf by:

David Henderson
Chair

Mark Hews
Group Chief Executive

Consolidated and parent statements of cash flows for the year ended 31 December 2022

Notes	2022		Restated* 2021	
	Group £000	Parent £000	Group £000	Parent £000
(Loss)/profit before tax from continuing operations	(4,773)	21,030	79,178	90,319
Profit before tax from discontinued operations	14,115	-	459	-
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	6,261	5,373	6,155	5,285
(Profit)/loss on disposal of property, plant and equipment	(9)	-	24	11
Amortisation and impairment of intangible assets	3,558	3,351	856	622
Loss on disposal of intangible assets	-	-	4,765	87
Impairment of shares in subsidiary undertakings	-	(161)	-	-
Profit on disposal of subsidiary	(14,293)	(20,146)	-	(5)
Net fair value losses/(gains) on financial instruments and investment property	94,121	66,658	(58,340)	(58,384)
Dividend and interest income	(22,906)	(20,075)	(21,802)	(18,822)
Finance costs	2,528	2,456	2,364	2,276
Adjustment for pension funding	695	695	1,646	1,646
Changes in operating assets and liabilities:				
Net increase in insurance contract liabilities	21,449	17,835	81,352	54,839
Net increase in investment contract liabilities	42,961	-	15,519	-
Net increase in reinsurers' share of contract liabilities	(47,597)	(28,660)	(49,513)	(37,260)
Net increase in deferred acquisition costs	(5,349)	(4,710)	(4,376)	(3,169)
Net increase in other assets	(84,292)	(73,573)	(25,891)	(33,049)
Net increase in operating liabilities	21,944	22,214	8,472	8,544
Net (decrease)/increase in other liabilities	(159)	(205)	(234)	114
Cash generated/(used) by operations	28,254	(7,918)	40,634	13,054
Purchases of financial instruments and investment property	(208,588)	(109,878)	(186,514)	(117,611)
Sale of financial instruments and investment property	156,110	115,561	157,614	103,706
Dividends received	7,177	10,795	7,427	9,547
Interest received	17,022	10,732	14,068	8,830
Tax paid	(6,487)	(6,324)	(3,142)	(4,912)
Net cash (used by)/from operating activities	(6,512)	12,968	30,087	12,614
Cash flows from investing activities				
Purchases of property, plant and equipment	(3,234)	(2,934)	(3,634)	(3,451)
Proceeds from the sale of property, plant and equipment	28	-	48	19
Purchases of intangible assets	(3,900)	(3,900)	(3,914)	(3,914)
Disposal of subsidiary, net of cash disposed	36,355	45,197	-	5
Net cash from/(used by) investing activities	29,249	38,363	(7,500)	(7,341)
Cash flows from financing activities				
Interest paid	(2,528)	(2,456)	(2,364)	(2,276)
Payment of lease liabilities	(3,267)	(2,605)	(3,209)	(2,512)
Change in interest in subsidiary	-	(5,157)	-	(5,406)
Proceeds from issue of subordinate debt, net of expenses	-	-	25,014	25,014
Dividends paid to Company's shareholders	(9,181)	(9,181)	(9,181)	(9,181)
Charitable grant paid to ultimate parent undertaking	(15,000)	(15,000)	(21,000)	(21,000)
Net cash used by financing activities	(29,976)	(34,399)	(10,740)	(15,361)
Net (decrease)/increase in cash and cash equivalents	(7,239)	16,932	11,847	(10,088)
Cash and cash equivalents at beginning of year	114,036	48,437	104,429	59,466
Cash classified as held for distribution	(5,177)	-	-	-
Exchange gains/(losses) on cash and cash equivalents	3,044	1,200	(2,240)	(941)
Cash and cash equivalents at end of year	104,664	66,569	114,036	48,437

*The comparative financial statements have been restated as detailed in note 40.

Notes to the financial statements

1 Accounting policies

Ecclesiastical Insurance Office plc (hereafter referred to as the 'Company', or 'Parent'), a public limited company incorporated and domiciled in England, together with its subsidiaries (collectively, the 'Group') operates principally as a provider of general insurance and in addition offers a range of financial services, with offices in the UK & Ireland, Australia and Canada. The principal accounting policies adopted in preparing the International Financial Reporting Standards (IFRS) financial statements of the Group and Parent are set out below.

Basis of preparation

The Group's consolidated and Parent's financial statements have been prepared using the following accounting policies, which are in accordance with UK adopted IAS applicable at 31 December 2022. The financial statements have been prepared on the historical cost basis, except for certain financial assets and derivatives measured at fair value through profit and loss (FVTPL), and the revaluation of properties and certain derivatives measured at fair value through other comprehensive income (FVOCI).

As stated in the Directors' Report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

In accordance with IFRS 4, *Insurance Contracts*, on initial application of UK adopted IAS, the Group applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards, introducing changes only where they provide more reliable and relevant information.

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the 'functional currency'). The consolidated financial statements are stated in sterling, which is the Company's functional currency and the Group's presentational currency.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for the Company is not presented.

New and revised standards

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB), and endorsed by the UK, with an effective date of on or after 1 January 2022, and are therefore applicable for the 31 December 2022 financial statements. None had a significant impact on the Group.

The following standards were in issue but were either not yet effective or have been deferred and therefore have not been applied in these financial statements.

IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments*, is effective for periods beginning on or after 1 January 2018. However, the Group has taken the option available to insurers to defer the application of IFRS 9 as permitted by IFRS 4, *Insurance Contracts*. The Group qualifies for the temporary exemption, which is available until annual periods beginning on or after 1 January 2023, since at 31 December 2015 greater than 90% of its liabilities were within the scope of IFRS 4. The Parent qualifies for the temporary exemption since at 31 December 2015 greater than 80% of its liabilities were within the scope of IFRS 4 and it does not engage in significant activities unconnected with insurance. Other liabilities of the Parent include employment benefit and tax liabilities which arise solely because the Parent insures, or fulfils obligations arising from insurance contracts. The Group's disposal of a subsidiary on the 30 December 2022, as detailed in note 16 to the financial statements, had no impact on the Group's ability to defer the application of IFRS 9, and as a result, the Group and Parent continue to apply IAS 39, *Financial Instruments*.

Within the Group, Ecclesiastical Insurance Office plc and Ansvar Insurance Limited qualify for the temporary exemption from the requirements of IFRS 9. Within the Group, Ecclesiastical Life Limited previously qualified for the temporary exemption, however policies issued by Ecclesiastical Life Limited from 1 August 2021 do not give rise to liabilities within the scope of IFRS 4. Following this change in operations, Ecclesiastical Life Limited is still able to defer application of IFRS 9 for a further year, until 1 January 2023.

Key requirements

Provides a new model for the classification and measurement of financial instruments, a single, forward-looking 'expected loss' impairment model and a reformed approach to hedge accounting.

Effective date

Annual periods beginning on or after 1 January 2018. Although can be deferred until 2023 for insurers in line with the effective date of IFRS 17.

Notes to the financial statements

1 Accounting policies (continued)

Expected impact on financial statements

There will be no change in the way debt and equity instruments are classified and measured in the financial statements, which will continue to be measured at fair value through profit or loss. The Group expects to recognise expected credit losses (ECLs) on certain financial assets classified and measured at amortised cost. No changes are expected from the more principles-based hedge accounting requirements. In accordance with the transition requirements of IFRS 9, the comparative period is not currently expected to be restated and any differences in carrying amounts will be reported in opening retained earnings as at 1 January 2023.

IFRS 17, Insurance Contracts

Key requirements

Requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

Effective date

Applicable to annual reporting periods beginning on or after 1 January 2023.

Expected impact on financial statements

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Key relevant concepts for the Group are:

- Expected profits (represented by the contractual service margin, “CSM”) are explicitly spread over the lifetime of the contract in a formulaic manner matched to the provision of current and future coverage, rather than for example embedded within ongoing releases from a prudent reserving basis.
- Expected losses (arising on onerous contracts) are recognised up front and as and when identified.

Where contracts are serviced over a long coverage period, such as for life insurance, the impact of this conceptual change is potentially significant, requiring new valuation models. Applying IFRS 17 to shorter duration insurance coverage (such as annual general insurance policies, which make up the vast majority of the Group’s insurance contracts), does not lead to conceptual change to the basis, because previous practices allowed for the deferral of expected future profits and initial recognition of losses. However, the changes in presentation and disclosure are significant, leading to more aggregated line items in the financial statements, and changes which impact key performance indicators (for example Gross Written Premium is no longer an accounting line).

It is not yet practicable to quantify the overall additional impact on the Group’s financial statements expected at transition, however a number of individual decisions that will impact the net assets quantum are well progressed, with the following being the most important areas:

Key item	Impact
Transitional Fair Value of Whole of Life insurance policies	The Group has a portfolio of life insurance contracts supporting pre-paid funeral plans, which ceased to be written from 2013. An assessment has been carried out regarding the availability of suitable data to enable a full retrospective calculation, concluding that this would be impracticable.
Level of aggregation for portfolios and groups of insurance and reinsurance contracts	Within the general insurance business, the Group has identified seven portfolios of insurance contracts and five portfolios of reinsurance contracts as at the effective transition date. For the majority of product lines, the Group issues packaged policies incorporating a range of lines of business within a single contract. Accounting policy development has focussed on applying the IASB’s Transition Resource Group’s guidance to identify when it is appropriate to unbundle individual components and treat as separate contracts. In the majority of cases, the Group’s contracts should not be unbundled below the legal contract level. The most material determinant of portfolios of significant risks that are managed together is the geographic territories in which the Group underwrites its core general insurance products. An outcome from this is instances of up front recognition of losses on groups of onerous contracts within a portfolio will be triggered at a more granular level than previously, although the transitional impact is not expected to be significantly different from applying the current Liability Adequacy Test under IFRS 4.
Eligibility for applying the premium allocation approach	The Group expects to use the premium allocation approach for the majority of its general business insurance contracts. Definitions of what constitutes reasonably expected assumption changes on future profitability, and measuring the differences between the general measurement model and the premium allocation approach as a proportion of exposure, indicates that all of the Group’s core insurance products and associated reinsurance is currently eligible.

Notes to the financial statements

1 Accounting policies (continued)

Discounting of the claims reserves	The Group already incorporates discounting into its measurement techniques and the discount rates have been reviewed to ensure they are compatible with IFRS 17 principles. The Group’s adoption of IFRS 17 and the discounting requirements is not expected to be significantly different to the Group’s application of existing accounting policies.
Risk adjustment	The risk adjustment is defined as the compensation required by the entity for bearing non-financial risks. For products applying the premium allocation approach, the Group’s reserves for incurred claims are currently measured using best estimate plus an explicit risk margin quantified using confidence level techniques, also allowing special uncertainties relating to events not in the data. The Group reviews and refines the approach that it uses to calibrate risks and uncertainties on an ongoing basis, and in relation to IFRS 17 is aligning the distribution measurement approaches, and allowance for diversification between risk types, to risk management and appetite in order to reflect each entity’s compensation required. The Group is reviewing and quantifying what the resulting confidence level to be disclosed in the 2023 annual accounts will be.
Expenses allocation	A new policy has been developed defining directly attributable expenses as those which are required in order to obtain and fulfil contracts, with other expenses being reported outside of insurance services. Under the premium allocation approach, the Group expects to continue deferring acquisition costs.

Amendments to other standards in issue but not yet effective are not expected to materially impact the Group.

Use of estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates. Those estimates which have the most material impact on the financial statements are disclosed in note 2.

Operating profit or loss

Operating profit or loss is stated before finance costs.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities over which the Company, directly or indirectly, has control, with control being achieved when the Company has power over the investee, is exposed to variable return from its involvement with the investee and has the ability to use its power to affect its returns. The results and cash flows relating to subsidiaries acquired or disposed of in the year are included in the consolidated statement of profit or loss, and the consolidated statement of cash flows, up to the date of disposal, and are included within discontinued operations where appropriate. All inter-company transactions, balances and cash flows are eliminated, with the exception of those between continuing and discontinued operations.

In the Parent statement of financial position, subsidiaries are accounted for within financial investments at cost less impairment, in accordance with International Accounting Standard (IAS) 27, *Separate Financial Statements*.

The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests are measured either at fair value or at a proportionate share of the identifiable net assets of the acquiree. Goodwill is measured as the excess of the aggregate of the consideration transferred, the fair value of contingent consideration, the amount of non-controlling interests and, for an acquisition achieved in stages, the fair value of previously held equity interest over the fair value of the identifiable net assets acquired. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly through profit or loss.

For business combinations involving entities or businesses under common control, the cost of the acquisition equals the value of net assets transferred, as recognised by the transferor at the date of the transaction. No goodwill arises on such transactions.

Notes to the financial statements

1 Accounting policies (continued)

Discontinued operations and operations held for sale or distribution

Assets and liabilities for a disposal group which are held for sale outside the Group or distribution within the Group are reported as assets or liabilities held for sale or distribution and shown separately in the consolidated statement of financial position and carried at the lower of their carrying amount and fair value less estimated selling costs. Discontinued operations comprise activities either disposed of or classified as held for sale or distribution. The results of discontinued operations and profit or loss on disposal of discontinued operations are presented separately in the consolidated statement of profit or loss. Comparatives are restated where applicable.

Foreign currency translation

The assets and liabilities of foreign operations are translated from their functional currencies into the Group's presentation currency using year-end exchange rates, and their income and expenses using average exchange rates for the year. Exchange differences arising from the translation of the net investment in foreign operations are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve, along with the corresponding movement on net investment hedges, and are recognised in the statement of profit or loss as part of the gain or loss on sale.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised through profit or loss.

Product classification

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts. All of the Group's life business contracts written up to April 2013 are classified as insurance contracts and those written from August 2021 are classified as investment contracts.

Contracts may contain a discretionary participating feature, which is defined as a contractual right to receive additional benefits as a supplement to guaranteed benefits. The Group does not have any such participating contracts (referred to as with-profit contracts). The Group's long-term business contracts are referred to as non-profit contracts in the financial statements.

Premium income

General insurance business

Premiums are shown gross of commission paid to intermediaries and accounted for in the period in which the risk commences. Estimates are included for premiums not notified by the year end ('pipeline premiums') and provision is made for the anticipated lapse of renewals not yet confirmed. Those proportions of premiums written in a year which relate to periods of risk extending beyond the end of the year are carried forward as unearned premiums.

Premiums written include adjustments to premiums written in prior periods and estimates for pipeline premiums and are shown net of insurance premium taxes.

Life insurance business

Insurance contract premiums are recognised as income when receivable, at which date the liabilities arising from them are also recognised.

Fee and commission income

Fee and commission income consists primarily of reinsurance commissions and reinsurance profit commissions which are accounted for in accordance with IFRS 4, *Insurance contracts*. It also includes distribution fees from mutual funds and commission revenue from the sale of mutual fund shares which are accounted for in accordance with IFRS 15, *Revenue from contracts with customers*.

As with general insurance premiums, reinsurance commissions are accounted for in the period in which the risk commences. Those proportions of reinsurance commissions written in a year which relate to periods of risk extending beyond the end of the year, are carried forward as deferred income. Reinsurance profit commissions are recognised at the point in time when the amount of commission can be accurately estimated.

Other operating income

Other operating income consists of the return of surplus reserves from a government-backed reinsurance scheme. It is recognised when the distribution is declared.

Notes to the financial statements

1 Accounting policies (continued)

Net investment return

Net investment return consists of dividends, interest and rents receivable for the year, realised gains and losses, unrealised gains and losses on financial investments and investment properties. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest and rental income is recognised as it accrues.

Unrealised gains and losses are calculated as the difference between carrying value and original cost, and the movement during the year is recognised through profit or loss. The value of realised gains and losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period.

The impact of discount rate changes on insurance contract liabilities is also presented within net investment return in order to match with the corresponding movements of assets backing the liabilities.

Claims

General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include all internal and external costs incurred in connection with the negotiation and settlement of claims.

Life business claims and death claims are accounted for when notified.

Insurance contract liabilities

General insurance provisions

(i) Outstanding claims provisions

General insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the year-end date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the year-end date. An estimate is made representing the best estimate plus an uncertainty margin within a range of possible outcomes. Insurance liabilities are remeasured to reflect current market interest rates.

The Group's accounting policy for general insurance outstanding claims provisions has previously been to apply discounting only to certain longer term liabilities. The accounting policy has been changed to discount general insurance liabilities that have not previously been discounted. This change in accounting policy resulted in a credit of £13.2m recognised in this financial year and a credit of £2.6m in the prior year, both within net investment return. For further information on the prior year restatement, see note 40.

The Group considers this change in accounting policy provides more reliable and relevant information. This is because, if the impact of discounting were not more widely applied during a period of higher interest rates (as in 2022), it would create excessive prudence in the implied claim reserves. Furthermore, this change to accounting policy better reflects the impact of the Group's objective of matching assets with insurance liabilities when managing exposure to interest rate risk.

(ii) Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to profit or loss in order that revenue is recognised over the period of risk.

(iii) Liability adequacy

At each reporting date, the Group reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts. Unexpired risks are assessed separately for each class of business.

Surpluses and deficits are offset where business classes are considered to be managed together and a provision is held for any net deficit.

Life insurance provisions

Under current UK adopted IAS requirements, insurance contract liabilities are measured using accounting policies consistent with those adopted previously.

Notes to the financial statements

1 Accounting policies (continued)

The life insurance provision is held in respect of certain funeral plans and is based on an estimate of the discounted future cash flows expected to arise from contracts in-force at the year-end date. The methods and assumptions used in calculating the provision are approved by the directors based on advice from the Chief Actuary, including assumptions relating to future interest rates, inflation, mortality, expenses and investment return. Changes in the life business provision are recognised in the statement of profit or loss.

Reinsurance

The Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as direct business. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct or inwards reinsurance business being reinsured. Estimates are included for premiums not notified by the year end and provision is made for the anticipated lapse of renewals not yet confirmed. The proportion of premiums ceded in a year which relates to periods of risk extending beyond the current year is carried forward as unearned. The Group does not reinsure its life business.

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or the settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Further details on insurance contract liabilities are included in note 28.

Investment contract liabilities

For products that have no significant insurance risk and therefore classified as investment contracts, the Group recognises a liability measured at fair value. The fair value of these liabilities is estimated based on an arms-length transaction between willing market participants with consideration given to the cost of the minimum repayment guarantee to the policyholders. The cost of the guarantee is determined using risk free rates of return, with the associated volatility assumption and allowing for the costs of administration associated with this low risk investment strategy.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill on acquisitions prior to 1 January 2004 (the date of transition to IFRS) is carried at book value (original cost less amortisation) on that date, less any subsequent impairment. Where it is considered more relevant, the Group uses the option to measure goodwill initially at fair value, less any subsequent impairment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software

Computer software is carried at historical cost less accumulated amortisation and impairment, and amortised over a useful life of between three and ten years, using the straight-line method. Amortisation and impairment charges incurred for the period are included in the statements of profit or loss within other operating and administrative expenses.

Software costs that cannot be classified as intangible assets are charged to profit or loss during the period in which they are incurred.

Other intangible assets

Other intangible assets consist of acquired brand, customer and distribution relationships, and are carried at cost at acquisition less accumulated amortisation and impairment after acquisition. Amortisation is on a straight-line basis over the weighted average estimated useful life of intangible assets acquired. Amortisation and impairment charges incurred for the period are included in the statement of profit or loss within other operating and administrative expenses.

Property, plant and equipment

Owner-occupied properties are stated at fair value and movements are taken to the revaluation reserve within equity, net of deferred tax. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings.

Notes to the financial statements

1 Accounting policies (continued)

Where the fair value of an individual property is below original cost, any revaluation movement arising during the year is recognised within net investment return in the statement of profit or loss. Valuations are carried out at least every three years by external qualified surveyors. All other items classed as property, plant and equipment within the statement of financial position are carried at historical cost less accumulated depreciation and impairment.

Land is not depreciated. No depreciation is provided on owner-occupied properties since such depreciation would be immaterial. Depreciation is calculated to write down the cost of other assets to their residual values over their estimated useful lives as follows:

Computer equipment	3 - 5 years straight line
Motor vehicles	4 years straight line
Fixtures, fittings and office equipment	3 - 10 years or length of lease straight line
Right-of-use assets	Over the term of the lease

Where the carrying amount of an item carried at historical cost less accumulated depreciation is greater than its estimated recoverable amount, it is written down to its recoverable amount by way of an impairment charge to profit or loss.

Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Investment property

Investment property comprises land and buildings which are held for long-term rental yields. It is carried at fair value with changes in fair value recognised in the statement of profit or loss within net investment return. Investment property is valued annually by external qualified surveyors at open market value. Investment properties are derecognised when they have been disposed of. Where the Group disposes of a property, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss within net investment return.

Financial instruments

IAS 39, *Financial Instruments: Recognition and Measurement* requires the classification of certain financial assets and liabilities into separate categories for which the accounting requirements differ.

The classification depends on the nature and purpose of the financial assets and liabilities, and is determined at the time of initial recognition. Assets and liabilities held at fair value are disclosed according to a hierarchy that reflects the significance of observable market inputs in calculating those fair values. The three levels of the fair value hierarchy are included within note 4. Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification:

- Financial instruments designated as fair value through profit or loss, those held for trading, and hedge accounted derivatives under IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, are subsequently carried at fair value. To the extent to which they are effective, changes to the fair value of hedging instruments are recognised in other comprehensive income, with all other fair value changes recognised through profit or loss in the period in which they arise.
- All other financial assets and liabilities are measured at amortised cost, using the effective interest method (except for short-term receivables and payables when the recognition of interest would be immaterial).

Offset of financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial investments

The Group accounts for financial assets under IAS 39 and classifies its financial investments as either financial assets at fair value through profit or loss (designated as such or held for trading), as financial assets at fair value through other comprehensive income or as loans and receivables.

(a) Financial assets at fair value through profit or loss

Financial investments are classified into this category if they are managed, and their performance evaluated, on a fair value basis. Purchases and sales of these investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets, at their fair value adjusted for transaction costs. Financial investments within this category are classified as held for trading if they are derivatives that are not accounted for as a net investment hedge or are acquired principally for the purpose of selling in the near term.

Notes to the financial statements

1 Accounting policies (continued)

The fair values of investments are based on quoted bid prices. Where there is no active market, fair value is established using a valuation technique based on observable market data where available.

Derivative financial instruments and hedging

Derivative financial instruments include foreign exchange contracts and other financial instruments that derive their value from underlying equity instruments.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost, including any premium paid. They are subsequently remeasured at their fair value, with the method for recognising changes in the fair value depending on whether they are designated as hedges of net investments in foreign operations. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the statement of financial position as they do not represent the fair value of these transactions. Collateral pledged by way of cash margins on futures contracts is recognised as an asset in the statement of financial position within cash and cash equivalents.

Certain Group derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading. Their fair value gains and losses are recognised immediately in net investment return. The fair value gains and losses for derivatives which are hedge accounted in line with IFRIC 16 are recognised in other comprehensive income.

(b) Financial assets at fair value through other comprehensive income **Derivative instruments for hedging of net investments in foreign operations**

On the date a foreign exchange contract is entered into, the Group designates certain contracts as a hedge of a net investment in a foreign operation (net investment hedge) and hedges the forward foreign currency rate.

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met. At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for undertaking the hedge transaction. The Group also documents its assessment of whether the hedge is expected to be, and has been, highly effective in offsetting the risk in the hedged item, both at inception and on an ongoing basis.

Gains and losses on the hedging instrument, relating to the effective portion of the net investment hedge, are recognised in other comprehensive income and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in net investment return.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal of the related investment.

(c) Loans and receivables

Loans and receivables, comprising loans and cash held on deposit for more than three months, are carried at amortised cost using the effective interest method. Loans are recognised when cash is advanced to borrowers. To the extent that a loan or receivable is uncollectable, it is written off as impaired. Subsequent recoveries are credited to profit or loss.

Subordinated liabilities

Subordinated liabilities are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred. All borrowings are subsequently measured at amortised cost using the effective interest rate method. The amortisation is recognised as an interest expense using the effective interest rate method.

Deferred acquisition costs

General insurance business

For general insurance business, a proportion of commission and other acquisition costs relating to unearned premiums is carried forward as deferred acquisition costs or, with regard to reinsurance outwards, as deferred income. Deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset.

Notes to the financial statements

1 Accounting policies (continued)

Life insurance business

For life insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year can be deferred and amortised over the period during which the costs are expected to be recoverable. No acquisition costs have been deferred on the Group's existing long-term business.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Leases

Group as a lessee

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for use by the Group. Each lease payment is deducted from the lease liability. Finance costs are charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are determined using the net present value of the payments over the lease term with the rate used to discount payments reflecting the rate implicit in the lease or, if it not readily determinable, the Group's incremental borrowing rate, and include:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of an option if the lessee is reasonably certain to exercise that option; and
- Payments and penalties from terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are initially measured at cost and subsequently measured as cost less accumulated depreciation and comprises:

- The amount of the initial measurement of lease liability;
- Any lease payment made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are presented within property, plant and equipment in the statement of financial position.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also sublets property no longer occupied by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will be received.

Notes to the financial statements

1 Accounting policies (continued)

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation but either an outflow of resources is not probable or the amount cannot be reliably estimated.

Employee benefits

Pension obligations

The Group operates defined benefit and defined contribution pension plans, the assets of which are held in separate trustee-administered funds.

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate based on market yields for high-quality corporate bonds. The resulting pension plan surplus or deficit appears as an asset or obligation in the statement of financial position. Any asset resulting from this calculation is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future employer contributions to the plan. Independent actuarial valuations are carried out at the end of each reporting period.

In accordance with IAS 19, *Employee Benefits*, current and past service costs, gains and losses on curtailments and settlements and net interest expense or income (calculated by applying a discount rate to the net defined benefit liability or asset) are recognised through profit or loss. Actuarial gains or losses are recognised in full in the period in which they occur in other comprehensive income.

Contributions in respect of defined contribution plans are recognised as a charge to profit or loss as incurred.

Other post-employment obligations

Some Group companies provide post-employment medical benefits to their retirees. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Interest expense (calculated by applying a discount rate to the net obligations) is recognised through profit or loss. Actuarial gains and losses are recognised immediately in other comprehensive income. Independent actuarial valuations are carried out at the end of each reporting period.

Other benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the year-end date.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable result for the period, after any adjustment in respect of prior periods.

Deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled, based on tax rates and laws which have been enacted or substantively enacted at the year-end date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Appropriations

Dividends

Dividends on Ordinary shares are recognised in equity in the period in which they are declared and, for the final dividend, approved by shareholders. Dividends on Non-Cumulative Irredeemable Preference shares are recognised in the period in which they are declared and appropriately approved.

Charitable donation to ultimate parent undertaking

Payments are made via Gift Aid to the ultimate parent company, Benefact Trust Limited, a registered charity. The Group does not regard these payments as being expenses of the business and, as such, recognises these net of tax in equity in the period in which they are approved.

Notes to the financial statements

1 Accounting policies (continued)

Use of Alternative Performance Measures (APM)

As detailed in the Strategic Report, the Group uses certain key performance indicators which, although not defined under IFRS, provide useful information and aim to enhance understanding of the Group's performance. The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS. Note 38 provides details of how these key performance indicators reconcile to the results reported under IFRS.

Accounting policies applicable to discontinued operations

Discontinued operations comprise of the Group's broking and advisory and investment management businesses. Further details are included in note 16 to the financial statements. The following accounting policies are applicable only to the results of discontinued operations or balances related to the businesses sold in the year or held for sale or distribution.

Revenue

Revenue from discontinued operations consists of income from the Group's insurance broking activities and investment fund management fees and are accounted for in accordance with IFRS 15, Revenue from contracts with customers.

Income generated from the Group's insurance broking activities is recognised at the point at which the performance obligation is satisfied, being the inception date of the insurance cover, or, where this income is variable, the point at which it is reasonably certain that no significant reversal of the amount recognised would occur. An estimate is made for the amount of fees and commission that may be clawed back as a result of policy cancellations or amendments in relation to performance obligations satisfied in the year. This is deducted from fee and commission income and recognised in provisions. Where commission or fees are received in advance of the inception date of cover, deferred income is recognised. Receivables are recognised in other debtors on inception date of cover in respect of fees or commissions that the Group has an unconditional right to receive.

Fees charged for investment management services are variable based on funds under management and are recognised over time as the services are provided, once it is reasonably certain that no significant reversal of the amount recognised would occur. Fees charged for investment management services for institutional and retail fund management are also recognised on this basis.

Insurance broking debtors and creditors

Where the Group acts as an agent in placing the insurable risks of clients with insurers, debtors arising from such transactions are not included in the Group's assets. When the Group receives cash in respect of resultant premiums or claims, a corresponding liability is established in other creditors in favour of the insurer or client. Where the Group provides premium finance facilities to clients, amounts due are included in other debtors, with the amount owing for onward transmission included in other creditors.

Notes to the financial statements

2 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are regularly reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management have considered the current economic environment in their estimates and judgements.

(a) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations which are dealt with separately below, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Pension and other post-employment benefits

The Group's pension and other post-employment benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds includes the nature and quality of the corporate bonds and the identification of outliers which are excluded.

The Group also applies judgement in determining the extent to which a surplus in the defined benefit plan can be recognised in the statement of financial position. In accordance with IAS 19, Employee benefits, the recognisable surplus is limited to the lower of the surplus in the plan and the asset ceiling. The asset ceiling is the present value of future economic benefits available in the form of a refund or as a reduction in future contributions. The Group applies judgement in determining the asset ceiling in accordance with IFRS Interpretations Committee Interpretation 14 (IFRIC 14).

Unlisted equity securities

The value of unlisted equity securities, where there is no active market and therefore no observable market price, are classified as level 3 financial assets. This requires the Group to make judgements in respect of the most appropriate valuation technique to apply. Further details, including the amounts recognised within the financial statements which are impacted by these judgements are shown in note 4(b).

Significant insurance risk

Whole-of-life policies issued by the Group where significant insurance risk has been accepted from a policyholder are accounted for as insurance contracts. Whole-of-life policies where the Group has not accepted significant insurance risk from a policyholder are accounted for as financial instruments. Contracts can have features of, or appear to have features of, an insurance contract and therefore judgement is required on whether there is insurance risk and then whether that insurance risk is significant. Policies are considered to be insurance contracts where future benefits are linked to inflation as there is uncertainty over the timing and amount of a resulting claim. Policies that provide a policyholder with a guarantee to return the original premium have not transferred insurance risk and are considered financial instruments.

(b) Key sources of estimation uncertainty

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions.

The following items are considered key estimates and assumptions which, if actual results differ from those predicted, may have significant impact on the following year's financial statements:

The ultimate liability arising from claims made under general business insurance contracts

The estimation of the ultimate liability arising from claims made under general business insurance contracts is a critical accounting estimate. There is uncertainty as to the total number of claims made on each business class, the amounts that such claims will be settled for and the timing of any such payments. There are various sources of estimation uncertainty as to how much the Group will ultimately pay with respect to such contracts. Such uncertainty includes:

Notes to the financial statements

2 Critical accounting estimates and judgements in applying accounting policies (continued)

- whether a claim event has occurred or not and how much it will ultimately settle for;
- variability in the speed with which claims are notified and in the time taken to settle them, especially complex cases resolved through the courts;
- changes in the business portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns;
- new types of claim, including latent claims, which arise from time to time;
- changes in legislation and court attitudes to compensation, including the discount rate applied in assessing lump sums, which may apply retrospectively;

The uncertainties surrounding the estimates of claims payments for the various classes of business are discussed further in note 3. General business insurance liabilities include a margin for risk and uncertainty in addition to the best estimates for future claims. The sensitivity of profit or loss to changes in the ultimate settlement cost of claims reserves is presented in note 28(a).

Future benefit payments arising from life insurance contracts

The determination of the liabilities under life insurance contracts is dependent on estimates made by the Group.

Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables, adjusted to reflect recent historical mortality experience of the Group's portfolio, with allowance also being made for expected future mortality improvements where prudent. The estimated mortality rates are used to determine forecast benefit payments net of forecast premium receipts.

Estimates are also made as to future investment returns arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

In addition to the best estimates of future deaths, inflation, investment returns and administration expenses, margins for risk and uncertainty are added to these assumptions in calculating the liabilities of life insurance contracts. The sensitivity of profit or loss to changes in the assumptions is presented in note 28(b)(iii).

Pension and other post-employment benefits

The cost of these benefits and the present value of the pension and other post-employment benefit liabilities depend on factors that are determined on an actuarial basis using a number of assumptions. Any change in these assumptions may affect planned funding of the pension plans.

The discount rate assumption is a component in determining the charge to profit or loss. The effect of movements in the actuarial assumptions during the year, including discount rate, mortality, inflation, salary and medical expense inflation assumptions, on the pension and other post-employment liabilities are recognised in other comprehensive income. An explanation of the actuarial gains recognised in the current year is included in note 19.

The Group determines an appropriate discount rate at the end of each year, to be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and other post-employment benefit obligations.

The expected rate of medical expense inflation is determined by comparing the historical relationship of medical expense increases over a portfolio of UK-based post-retirement medical plans with the rate of inflation, making an allowance for the size of the plan and actual medical expense experience.

Other key assumptions for the pension and post-employment benefit costs and credits are based in part on current market conditions. Additional information including the sensitivity of pension and post-employment medical benefit scheme liabilities to changes in the key assumptions is disclosed in note 19.

Unlisted equity securities

The valuation of unlisted equity securities requires estimates to be made for the illiquidity discount and credit rating discount. Further details, including the sensitivity of the valuation to these inputs, are shown in note 4(b).

Notes to the financial statements

3 Insurance risk

Through its general and life insurance operations, the Group is exposed to a number of risks, as summarised in the Risk Management section of the Strategic Report. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. Factors such as the business and product mix, the external environment including market competition and reinsurance capacity all may vary from year to year, along with the actual frequency, severity and ultimate cost of claims and benefits. This subjects the Group to underwriting and pricing risk (the risk of failing to ensure disciplined risk selection and to obtain the appropriate premium), claims reserving risk (the risk of actual claims payments exceeding the amount we are holding in reserves) and reinsurance risk (the risk of failing to access and manage reinsurance capacity at a reasonable price).

(a) Risk mitigation

Statistics demonstrate that the larger and more diversified the portfolio of insurance contracts, the smaller the relative variability in the expected outcome will be. The Group's underwriting strategy is designed to ensure that the underwritten risks are well diversified in terms of type and amount of risk and geographical spread. In all operations pricing controls are in place, underpinned by sound statistical analysis, market expertise and appropriate external consultant advice. Gross and net underwriting exposure is protected through the use of a comprehensive programme of reinsurance using both proportional and non-proportional reinsurance, supported by proactive claims handling. The overall reinsurance structure is regularly reviewed and modelled to ensure that it remains optimum to the Group's needs. The optimal reinsurance structure provides the Group with sustainable, long-term capacity to support its specialist business strategy, with effective balance sheet and profit and loss protection at a reasonable cost.

Catastrophe protection is purchased following an extensive annual modelling exercise of gross and net (of proportional reinsurance) exposures. In conjunction with reinsurance brokers the Group utilises the full range of proprietary catastrophe models and continues to develop bespoke modelling options that better reflect the specialist nature of the portfolio. Reinsurance is purchased in line with the Group's risk appetite.

(b) Concentrations of risk

The core business of the Group is general insurance, with the principal classes of business written being property and liability. The miscellaneous financial loss class of business covers personal accident, fidelity guarantee and loss of money, income and licence. The other class of business includes cover of legal expenses and also a small portfolio of motor policies, but this has been in run-off in the United Kingdom since November 2012. The Group's whole-of-life insurance policies support funeral planning products.

The table below summarises written premiums for the financial year, before and after reinsurance, by territory and by class of business:

2022		General insurance				Life insurance	
		Miscellaneous financial					
Group		Property £000	Liability £000	loss £000	Other £000	Whole of life £000	Total £000
Territory							
United Kingdom and Ireland	Gross	255,418	71,575	20,006	3,086	7	350,092
	Net	119,847	68,128	10,259	100	7	198,341
Australia	Gross	55,266	42,978	918	536	-	99,698
	Net	5,886	36,037	868	101	-	42,892
Canada	Gross	73,779	34,982	-	-	-	108,761
	Net	47,335	31,914	-	-	-	79,249
Total	Gross	384,463	149,535	20,924	3,622	7	558,551
	Net	173,068	136,079	11,127	201	7	320,482
Parent							
Territory							
United Kingdom and Ireland	Gross	255,418	71,575	20,006	5,833	-	352,832
	Net	119,847	68,128	10,259	2,847	-	201,081
Canada	Gross	73,779	34,982	-	-	-	108,761
	Net	47,335	31,914	-	-	-	79,249
Total	Gross	329,197	106,557	20,006	5,833	-	461,593
	Net	167,182	100,042	10,259	2,847	-	280,330

Notes to the financial statements

3 Insurance risk (continued)

2021		General insurance				Life insurance	
		Miscellaneous financial					
Group		Property £000	Liability £000	loss £000	Other £000	Whole of life £000	Total £000
Territory							
United Kingdom and Ireland	Gross	217,961	62,949	16,941	3,394	(9)	301,236
	Net	109,242	60,060	8,883	376	(9)	178,552
Australia	Gross	54,229	37,106	1,290	740	-	93,365
	Net	5,891	31,733	1,238	140	-	39,002
Canada	Gross	64,086	27,524	-	-	-	91,610
	Net	44,750	25,306	-	-	-	70,056
Total	Gross	336,276	127,579	18,231	4,134	(9)	486,211
	Net	159,883	117,099	10,121	516	(9)	287,610
Parent							
Territory							
United Kingdom and Ireland	Gross	217,961	62,949	16,941	16,425	-	314,276
	Net	109,242	60,060	8,883	13,407	-	191,592
Canada	Gross	64,086	27,524	-	-	-	91,610
	Net	44,750	25,306	-	-	-	70,056
Total	Gross	282,047	90,473	16,941	16,425	-	405,886
	Net	153,992	85,366	8,883	13,407	-	261,648

(c) General insurance risks

Property classes

Property cover mainly compensates the policyholder for damage suffered to their property or for the value of property lost. Property insurance may also include cover for pecuniary loss through the inability to use damaged insured commercial properties (business interruption).

For property insurance contracts, there can be variability in the nature, number and size of claims made in each period.

The nature of claims may include fire, weather damage, escape of water, explosion (after fire), riot and malicious damage, subsidence, accidental damage, theft and earthquake. Subsidence claims are particularly difficult to predict because the damage is often not apparent for some time. The ultimate settlements can be small or large with a risk of a settled claim being reopened at a later date.

The number of claims made can be affected in particular by weather events, changes in climate, economic environment, and crime rates. Climate change may give rise to more frequent and extreme weather events, such as river flooding, hurricanes and drought, and their consequences, for example, subsidence claims. If a weather event happens near the end of the financial year, the uncertainty about ultimate claims cost in the financial statements is much higher because there is insufficient time for adequate data to be received to assess the final cost of claims.

Individual claims can vary in amount since the risks insured are diverse in both size and nature. The cost of repairing property varies according to the extent of damage, cost of materials and labour charges.

Contracts are underwritten on a reinstatement basis or repair and restoration basis as appropriate. Costs of rebuilding properties, of replacement or indemnity for contents and time taken to bring business operations back to pre-loss levels for business interruption are the key factors that influence the cost of claims. Individual large claims are more likely to arise from fire, storm or flood damage. The greatest likelihood of an aggregation of claims arises from earthquake, weather or major spreading fire events.

Claims payment, on average, occurs within a year of the event that gives rise to the claim. However, there is variability around this average with larger claims typically taking longer to settle and business interruption claims taking much longer depending on the length of the indemnity period involved.

Notes to the financial statements

3 Insurance risk (continued)

Liability classes

The main exposures are in respect of liability insurance contracts which protect policyholders from the liability to compensate injured employees (employers' liability) and third parties (public liability).

Claims that may arise from the liability portfolios include damage to property, physical injury, disease and psychological trauma. The Group has a different exposure profile to most other commercial lines insurance companies as it has lower exposure to industrial risks. Therefore, claims for industrial diseases are less common for the Group than injury claims such as slips, trips and back injuries.

The frequency and severity of claims arising on liability insurance contracts can be affected by several factors. Most significant are the increasing level of awards for damages suffered, legal costs and the potential for periodic payment awards.

The severity of bodily injury claims can be influenced particularly by the value of loss of earnings and the future cost of care. The settlement value of claims arising under public and employers' liability is particularly difficult to predict. There is often uncertainty as to the extent and type of injury, whether any payments will be made and, if they are, the amount and timing of the payments, including the discount rate applied for assessing lump sums. Key factors driving the high levels of uncertainty include the late notification of possible claim events and the legal process.

Late notification of possible claims necessitates the holding of provisions for incurred claims that may only emerge some years into the future. In particular, the effect of inflation over such a long period can be considerable and is uncertain. A lack of comparable past experience may make it difficult to quantify the number of claims and, for certain types of claims, the amounts for which they will ultimately settle. The legal and legislative framework continues to evolve, which has a consequent impact on the uncertainty as to the length of the claims settlement process and the ultimate settlement amounts.

Claims payment, on average, occurs about three to four years after the event that gives rise to the claim. However, there is significant variability around this average.

Provisions for latent claims

The public and employers' liability classes can give rise to very late reported claims, which are often referred to as latent claims. These can vary in nature and are difficult to predict. They typically emerge slowly over many years, during which time there can be particular uncertainty as to the number of future potential claims and their cost. The Group has reflected this uncertainty and believes that it holds adequate reserves for latent claims that may result from exposure periods up to the reporting date.

Note 28 presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

(d) Life insurance risks

The Group provides whole-of-life insurance policies to support funeral planning products, for most of which the future benefits are linked to inflation and backed by index-linked assets. None of the risks arising from this business are amongst the Group's principal risks and no new policies with insurance risk have been written in the life fund since 2013.

The primary risk on these contracts is the level of future investment returns on the assets backing the liabilities over the life of the policyholders is insufficient to meet future claims payments, particularly if the timing of claims is different from that assumed. The interest rate and inflation risk within this has been largely mitigated by holding index-linked assets of a similar term to the expected liabilities profile. The main residual risk is the spread risk attached to corporate bonds held to match the liabilities.

Uncertainty in the estimation of the timing of future claims arises from the unpredictability of long-term changes in overall levels of mortality. The Group bases these estimates on standard industry and national mortality tables and its own experience. The most significant factors that could alter the expected mortality rates profile are epidemics, widespread changes in lifestyle and continued improvement in medical science and social conditions. This small mortality risk is retained by the Group. The Group holds a reserve to meet the costs of future expenses in running the life business and administration of the policies. There is a risk that this is insufficient to meet the expenses incurred in future periods.

4 Financial risk and capital management

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are interest rate risk, credit risk, equity price and currency risk.

Notes to the financial statements

There has been no change from the prior period in the nature of the financial risks to which the Group is exposed. The continued conflict in Ukraine and the cost of living crisis means there is continued uncertainty in relation to the economic risks to which the Group is exposed. This includes equity price volatility, movements in exchange rates and long-term UK growth prospects. The Group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) Categories of financial instruments

(i) Categories applying IAS 39

Group	Financial assets				Financial liabilities				Other assets and liabilities	Total
	Designated at fair value £000	Held for trading £000	Loans and receivables £000	Hedge accounted derivatives £000	Designated at fair value £000	Held for trading £000	Financial liabilities' £000	Hedge accounted derivatives £000		
At 31 December 2022										
Financial investments	869,880	100	114	655	-	-	-	-	-	870,749
Other assets	-	-	302,685	-	-	-	-	-	8,103	310,788
Cash and cash equivalents	-	-	104,664	-	-	-	-	-	-	104,664
Lease obligations	-	-	-	-	-	-	(19,062)	-	-	(19,062)
Subordinated liabilities	-	-	-	-	-	-	(25,818)	-	-	(25,818)
Other liabilities	-	-	-	-	-	(2,475)	(84,618)	(759)	(13,591)	(101,443)
Inv't contract liabilities	-	-	-	-	(58,479)	-	-	-	-	(58,479)
Net other	-	-	-	-	-	-	-	-	(465,806)	(465,806)
Total	869,880	100	407,463	655	(58,479)	(2,475)	(129,498)	(759)	(471,294)	615,593
At 31 December 2021 (restated*)										
Financial investments	882,350	336	670	414	-	-	-	-	-	883,770
Other assets	-	-	232,553	-	-	-	-	-	8,357	240,910
Cash and cash equivalents	-	-	114,036	-	-	-	-	-	-	114,036
Lease obligations	-	-	-	-	-	-	(22,738)	-	-	(22,738)
Subordinated liabilities	-	-	-	-	-	-	(24,433)	-	-	(24,433)
Other liabilities	-	-	-	-	-	(331)	(83,622)	-	(13,394)	(97,347)
Inv't contract liabilities	-	-	-	-	(15,519)	-	-	-	-	(15,519)
Net other	-	-	-	-	-	-	-	-	(443,718)	(443,718)
Total	882,350	336	347,259	414	(15,519)	(331)	(130,793)	-	(448,755)	634,961
Parent										
At 31 December 2022										
Financial investments	593,061	100	114	655	-	-	-	-	42,707	636,637
Other assets	-	-	263,972	-	-	-	-	-	5,045	269,017
Cash and cash equivalents	-	-	66,569	-	-	-	-	-	-	66,569
Lease obligations	-	-	-	-	-	-	(18,712)	-	-	(18,712)
Subordinated liabilities	-	-	-	-	-	-	(25,818)	-	-	(25,818)
Other liabilities	-	-	-	-	-	(3,234)	(66,381)	-	(10,774)	(80,389)
Net other	-	-	-	-	-	-	-	-	(303,327)	(303,327)
Total	593,061	100	330,655	655	-	(3,234)	(110,911)	-	(266,349)	543,977
At 31 December 2021 (restated*)										
Financial investments	639,523	481	670	269	-	-	-	-	66,163	707,106
Other assets	-	-	190,478	-	-	-	-	-	4,330	194,808
Cash and cash equivalents	-	-	48,437	-	-	-	-	-	-	48,437
Lease obligations	-	-	-	-	-	-	(20,806)	-	-	(20,806)
Subordinated liabilities	-	-	-	-	-	-	(24,433)	-	-	(24,433)
Other liabilities	-	-	-	-	-	(331)	(48,571)	-	(10,756)	(59,658)
Net other	-	-	-	-	-	-	-	-	(292,952)	(292,952)
Total	639,523	481	239,585	269	-	(331)	(93,810)	-	(233,215)	552,502

* Financial liabilities are held at amortised cost.

*The comparative financial statements have been restated as detailed in note 40 and the tables above have been re-presented for the split between financial liabilities and other liabilities.

Assets and liabilities classified as held for distribution (see note 16) are included within net other in the table above.

The carrying value of those financial assets and liabilities not carried at fair value in the financial statements is considered to approximate to their fair value.

Notes to the financial statements

4 Financial risk and capital management (continued)

(ii) Categories of financial assets applying IFRS 9

As disclosed in note 1, the Group has chosen to defer application of IFRS 9 and classifies and measures financial instruments using IAS 39. To facilitate comparison with entities applying IFRS 9, the table below sets out the Group's financial assets at the balance sheet date, split between those which have contractual cash flows that are solely payments of principal and interest on the principal outstanding (SPPI), other than those which are held for trading or whose performance is evaluated on a fair value basis, and all other financial assets.

Group	2022			2021		
	SPPI financial assets £000	Other financial assets £000	Total financial assets £000	SPPI financial assets £000	Other financial assets £000	Total financial assets £000
Financial investments	114	870,635	870,749	670	883,100	883,770
Cash and cash equivalents	104,664	-	104,664	114,036	-	114,036
Other financial assets	302,685	-	302,685	232,553	-	232,553
Total	407,463	870,635	1,278,098	347,259	883,100	1,230,359

Parent	2022			2021		
	SPPI financial assets £000	Other financial assets £000	Total financial assets £000	SPPI financial assets £000	Other financial assets £000	Total financial assets £000
Financial investments	114	593,816	593,930	670	640,273	640,943
Cash and cash equivalents	66,569	-	66,569	48,437	-	48,437
Other financial assets	263,972	-	263,972	190,478	-	190,478
Total	330,655	593,816	924,471	239,585	640,273	879,858

Notes to the financial statements

4 Financial risk and capital management (continued)

(b) Fair value hierarchy

The fair value measurement basis used to value those financial assets and financial liabilities held at fair value is categorised into a fair value hierarchy as follows:

Level 1: fair values measured using quoted bid prices (unadjusted) in active markets for identical assets or liabilities. This category includes listed equities in active markets, listed debt securities in active markets and exchange-traded derivatives.

Level 2: fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes listed debt or equity securities in a market that is not active and derivatives that are not exchange-traded.

Level 3: fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes unlisted debt and equities, including investments in venture capital, and suspended securities. Where a look-through valuation approach is applied, underlying net asset values are sourced from the investee, translated into the Group's functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

There have been no transfers between investment categories in the current year.

Analysis of fair value measurement bases

Analysis of fair value measurement bases		Fair value measurement at the end of the reporting period based on		
Group	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 December 2022				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	268,297	-	85,726	354,023
Debt securities	458,420	1,299	-	459,719
Structured notes	-	56,138	-	56,138
Derivatives	-	100	-	100
	726,717	57,537	85,726	869,980
Financial assets at fair value through other comprehensive income				
Financial investments				
Hedged accounted derivatives	-	655	-	655
Total financial assets at fair value	726,717	58,192	85,726	870,635
At 31 December 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	281,169	186	68,947	350,302
Debt securities	515,953	1,412	34	517,399
Structured notes	-	14,649	-	14,649
Derivatives	-	336	-	336
	797,122	16,583	68,981	882,686
Financial assets at fair value through other comprehensive income				
Financial investments				
Hedged accounted derivatives	-	414	-	414
Total financial assets at fair value	797,122	16,997	68,981	883,100

Notes to the financial statements

4 Financial risk and capital management (continued)

Parent	Fair value measurement at the end of the reporting period based on			Total £000
	Level 1	Level 2	Level 3	
	£000	£000	£000	
At 31 December 2022				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	247,969	-	85,580	333,549
Debt securities	258,487	1,025	-	259,512
Derivatives	-	100	-	100
	506,456	1,125	85,580	593,161
Financial assets at fair value through other comprehensive income				
Financial investments				
Hedged accounted derivatives	-	655	-	655
Total financial assets at fair value	506,456	1,780	85,580	593,816
At 31 December 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	254,377	186	68,799	323,362
Debt securities	315,033	1,094	34	316,161
Derivatives	-	481	-	481
	569,410	1,761	68,833	640,004
Financial assets at fair value through other comprehensive income				
Financial investments				
Hedged accounted derivatives	-	269	-	269
Total financial assets at fair value	569,410	2,030	68,833	640,273

In the current year derivative liabilities of the Group were measured at fair value through other comprehensive income if they were hedge accounted and at fair value through profit or loss otherwise. The derivative liabilities of the Parent were measured at fair value through profit or loss. In the prior year the derivative liabilities of the Group and Parent were measured at fair value through profit or loss. Derivative liabilities are categorised as level 2 (see note 23).

Fair value measurements based on level 3

Fair value measurements in level 3 for both the Group and Parent consist of financial assets, analysed as follows:

Group	Financial assets at fair value through profit and loss		
	Equity securities £000	Debt securities £000	Total £000
At 31 December 2022			
Opening balance	68,947	34	68,981
Total gains/(losses) recognised in profit or loss	16,779	(34)	16,745
Closing balance	85,726	-	85,726
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	16,780	(34)	16,746
At 31 December 2021			
Opening balance	59,688	551	60,239
Total gains/(losses) recognised in profit or loss	9,259	(517)	8,742
Closing balance	68,947	34	68,981
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	9,259	(517)	8,742

Notes to the financial statements

4 Financial risk and capital management (continued)

Parent	Financial assets at fair value through profit and loss		
	Equity securities £000	Debt securities £000	Total £000
At 31 December 2022			
Opening balance	68,800	33	68,833
Total gains/(losses) recognised in profit or loss	16,780	(33)	16,747
Closing balance	85,580	-	85,580
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	16,781	(33)	16,748
At 31 December 2021			
Opening balance	59,508	551	60,059
Total gains/(losses) recognised in profit or loss	9,292	(518)	8,774
Closing balance	68,800	33	68,833
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	9,292	(518)	8,774

All the above gains or losses included in profit or loss for the period (for both the Group and Parent) are presented in net investment return within the statement of profit or loss.

The valuation techniques used for instruments categorised in levels 2 and 3 are described below.

Listed debt and equity securities not in active market (level 2)

These financial assets are valued using third-party pricing information that is regularly reviewed and internally calibrated based on management's knowledge of the markets.

Non-exchange-traded derivative contracts (level 2)

The Group's derivative contracts are not traded in active markets. Foreign currency forward contracts are valued using observable forward exchange rates corresponding to the maturity of the contract and the contract forward rate. Over-the-counter equity or index options and futures are valued by reference to observable index prices.

Structured notes (level 2)

These financial assets are not traded on active markets. Their fair value is linked to an index that reflects the performance of an underlying basket of observable securities, including derivatives, provided by an independent calculation agent.

Unlisted equity securities (level 3)

These financial assets are valued using observable net asset data, adjusted for unobservable inputs including comparable price-to-book ratios based on similar listed companies, normalised for performance measures where appropriate, and management's consideration of constituents as to what exit price might be obtainable.

The valuation is sensitive to the level of underlying net assets, the Euro exchange rate, the price-to-tangible book ratio, an illiquidity discount and a credit rating discount applied to the valuation to account for the risks associated with holding the asset. If the illiquidity discount or credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£9m (2021: +/-£8m).

Unlisted debt (level 3)

Unlisted debt is valued using an adjusted net asset method whereby management uses a look-through approach to the underlying assets supporting the loan, discounted using observable market interest rates of similar loans with similar risk, and allowing for unobservable future transaction costs.

The valuation is most sensitive to the level of underlying net assets, but it is also sensitive to the interest rate used for discounting and the projected date of disposal of the asset, with the exit costs sensitive to an expected return on capital of any purchaser and estimated transaction costs. Reasonably likely changes in unobservable inputs used in the valuation would not have a significant impact on shareholders' equity or the net result.

Notes to the financial statements

4 Financial risk and capital management (continued)

(c) Interest rate risk

The Group's exposure to interest rate risk arises primarily from movements on financial investments that are measured at fair value and have fixed interest rates, which represent a significant proportion of the Group's assets, subordinated debt which has a fixed interest rate until 2030, and from insurance liabilities discounted at a market interest rate. The Group's investment strategy is set in order to control the impact of interest rate risk on anticipated cash flows and asset and liability values. The fair value of the Group's investment portfolio of fixed income securities reduces as market interest rates rise as does the present value of discounted insurance liabilities, and vice versa.

Interest rate risk concentration is reduced by adopting asset-liability duration matching principles where appropriate. Excluding assets held to back the life business, the average duration of the Group's fixed income portfolio is three years (2021: three years), reflecting the relatively short-term average duration of its general insurance liabilities. The mean term of discounted general insurance liabilities is disclosed in note 28(a)(iv).

For the Group's life insurance business, consisting of policies to support funeral planning products, benefits payable to policyholders are independent of the returns generated by interest-bearing assets. Therefore, the interest rate risk on the invested assets supporting these liabilities is borne by the Group. This risk is mitigated by purchasing fixed interest investments with durations that match the profile of the liabilities. For funeral plan insurance policies, benefits are linked to the Retail Prices Index (RPI). Assets backing these liabilities are also linked to the RPI, and include index-linked gilts and corporate bonds. For practical purposes it is not possible to exactly match the durations due to the uncertain profile of liabilities (for example mortality risk) and the availability of suitable assets, therefore some interest rate risk will persist. The Group monitors its exposure by comparing projected cash flows for these assets and liabilities and making appropriate adjustments to its investment portfolio.

The table below summarises the maturities of life insurance business assets and liabilities that are exposed to interest rate risk.

Group life business	Maturity			Total £000
	Within 1 year £000	Between 1 and 5 years £000	After 5 years £000	
At 31 December 2022				
Assets				
Debt securities	6,491	22,815	45,678	74,984
Cash and cash equivalents	11,854	-	-	11,854
	18,345	22,815	45,678	86,838
Liabilities (discounted)				
Life insurance business provision	4,856	15,756	33,293	53,905
At 31 December 2021				
Assets				
Debt securities	6,120	26,768	63,819	96,707
Cash and cash equivalents	5,269	-	-	5,269
	11,389	26,768	63,819	101,976
Liabilities (discounted)				
Life insurance business provision	4,787	16,686	52,436	73,909

Group financial investments with variable interest rates, including cash and cash equivalents, and insurance instalment receivables are subject to cash flow interest rate risk. This risk is not significant to the Group.

Notes to the financial statements

4 Financial risk and capital management (continued)

(d) Credit risk

The Group has exposure to credit risk, which is the risk of non-payment of their obligations by counterparties and financial markets borrowers. Areas where the Group is exposed to credit risk are:

- Counterparty default on loans and debt securities;
- Deposits held with banks;
- Reinsurers' share of insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers in respect of claims already paid; and
- Amounts due from insurance intermediaries and policyholders.

The Group is exposed to minimal credit risk in relation to all other financial assets.

The carrying amount of financial and reinsurance assets represents the Group's maximum exposure to credit risk. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Limits on the level of credit risk are regularly reviewed. Where available the Group also manages its exposure to credit risk in relation to credit risk ratings. Investment grade financial assets are classified within the range of AAA to BBB ratings, where AAA is the highest possible rating. Financial assets which fall outside this range are classified as sub-investment grade. 'Not rated' assets capture assets not rated by external ratings agencies.

The following table provides information regarding the credit risk exposure of financial assets with external credit ratings from Standard & Poors or an equivalent rating from a similar agency. This includes financial assets that meet the definition of 'solely payments of principal and interest' (SPPI), as detailed in note 4(a)(ii).

Group	SPPI			Non-SPPI
	Cash and cash equivalents ¹ £000	Reinsurance debtors £000	Other financial assets £000	Debt securities £000
At 31 December 2022				
AAA	-	-	-	182,348
AA	42,616	3,608	-	121,065
A	18,114	10,653	-	91,355
BBB	43,930	-	-	51,951
Below BBB	-	-	-	4,857
Not rated	4	1,009	287,529	8,143
	104,664	15,270	287,529	459,719
At 31 December 2021				
AAA	-	-	-	171,502
AA	42,719	2,651	-	122,895
A	19,946	9,424	-	129,795
BBB	51,365	3	-	72,653
Below BBB	-	-	-	7,895
Not rated	6	505	220,640	12,659
	114,036	12,583	220,640	517,399

¹ Cash includes amounts held on deposit classified within financial investments and disclosed in note 22. Cash balances which are not rated relate to cash amounts in hand.

Notes to the financial statements

4 Financial risk and capital management (continued)

Parent	SPPI				Non-SPPI
	Cash and cash equivalents ¹ £000	Reinsurance debtors £000	Other financial assets £000	Total SPPI £000	Debt securities £000
At 31 December 2022					
AAA	-	-	-	-	96,666
AA	16,605	2,961	-	19,566	46,836
A	7,328	5,710	-	13,038	74,668
BBB	42,632	-	-	42,632	31,680
Below BBB	-	-	-	-	2,753
Not rated	4	758	254,657	255,419	6,909
	66,569	9,429	254,657	330,655	259,512
At 31 December 2021					
AAA	-	-	-	-	89,099
AA	7,018	1,828	-	8,846	61,199
A	10,896	5,585	-	16,481	108,443
BBB	30,518	3	-	30,521	44,598
Below BBB	-	-	-	-	4,379
Not rated	5	585	183,147	183,737	8,443
	48,437	8,001	183,147	239,585	316,161

¹ Cash includes amounts held on deposit classified within financial investments and disclosed in note 22. Cash balances which are not rated relate to cash amounts in hand.

For financial assets meeting the SPPI test that do not have low credit risk, the carrying amount disclosed above is an approximation of their fair value.

Group cash balances are regularly reviewed to identify the quality of the counterparty bank and to monitor and limit concentrations of risk.

The debt securities portfolio consists of a range of mainly fixed interest instruments including government securities, local authority issues, corporate loans and bonds, overseas bonds, preference shares and other interest-bearing securities. Limits are imposed on the credit ratings of the corporate bond portfolio and exposures regularly monitored. Group investments in unlisted securities represent 0% of this category in the current year and less than 1% prior year.

The Group's exposure to counterparty default on debt securities is spread across a variety of geographical and economic territories, as follows:

2022			2021		
	Group £000	Parent £000		Group £000	Parent £000
UK	176,749	101,767	UK	265,506	168,798
Canada	131,232	131,232	Canada	119,622	119,622
Australia	125,225	-	Australia	104,530	-
Europe	26,513	26,513	Europe	27,741	27,741
Total	459,719	259,512	Total	517,399	316,161

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regular basis through the year by reviewing their financial strength. The Group Reinsurance Security Committee assesses, monitors and approves the creditworthiness of all reinsurers, reviewing relevant credit ratings provided by the recognised credit rating agencies, as well as other publicly available data and market information. The Group Reinsurance Security Committee also monitors the balances outstanding from reinsurers and maintains an approved list of reinsurers.

The Group's credit risk policy details prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports. These reports are scrutinised to assess exposure by geographical region and counterparty of aged or outstanding balances. Any such balances are likely to be major international brokers that are in turn monitored via credit reference agencies and considered to pose minimal risk of default. The Group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders.

Notes to the financial statements

4 Financial risk and capital management (continued)

(e) Equity price risk

The Group is exposed to equity price risk because of financial investments held by the Group which are stated at fair value through profit or loss. The Group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of derivative contracts from time to time which would limit losses in the event of a fall in equity markets.

The concentration of equity price risk by geographical listing, before the mitigating effect of derivatives, to which the Group and Parent are exposed is as follows:

2022			2021		
	Group £000	Parent £000		Group £000	Parent £000
UK	268,623	248,149	UK	281,497	254,557
Europe	85,400	85,400	Europe	68,619	68,619
Hong Kong	-	-	Hong Kong	186	186
Total	354,023	333,549	Total	350,302	323,362

(f) Currency risk

The Group operates internationally and its main exposures to foreign exchange risk are noted below. The Group's foreign operations generally invest in assets and purchase reinsurance denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, foreign exchange risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. The Group mitigates this risk through the use of derivatives when considered necessary.

The Group exposure to foreign currency risk within the investment portfolios arises from purchased investments that are denominated in currencies other than sterling.

The Group's foreign operations create two sources of foreign currency risk:

- The operating results of the Group's foreign branches and subsidiaries in the Group financial statements are translated at the average exchange rates prevailing during the period; and
- The equity investment in foreign branches and subsidiaries is translated into sterling using the exchange rate at the year-end date.

The forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 23. The Group has designated certain derivatives as a hedge of its net investments in Canada and Australia, which have Canadian and Australian dollars respectively as their functional currency.

The largest currency exposures, before the mitigating effect of derivatives, with reference to net assets/liabilities are shown below, representing effective diversification of resources.

2022			2021		
	Group £000	Parent £000		Group £000	Parent £000
Aus \$	61,768	4,091	Aus \$	64,005	14,131
Can \$	57,710	57,710	Can \$	46,087	46,087
Euro	25,287	25,287	Euro	11,054	11,054
USD \$	2,653	2,653	USD \$	2,345	2,345
HKD \$	15	15	HKD \$	172	172

The figures in the table above, for the current and prior years, do not include currency risk that the Group and Parent are exposed to on a 'look through' basis in respect of collective investment schemes denominated in sterling. The Group and Parent enter into derivatives to hedge currency exposure, including exposures on a 'look through' basis. The open derivatives held by the Group and Parent at the year end to hedge currency exposure are detailed in note 23.

Notes to the financial statements

4 Financial risk and capital management (continued)

(g) Liquidity risk

Liquidity risk is the risk that funds may not be available to pay obligations when due. The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 28. The Group has robust processes in place to manage liquidity risk and has available cash balances, other readily marketable assets and access to funding in case of exceptional need. This is not considered to be a significant risk to the Group.

Non-derivative financial liabilities consist of lease liabilities, for which a maturity analysis is included in note 34, and other liabilities for which a maturity analysis is included in note 31, and subordinated debt for which a maturity analysis is included in note 32.

(h) Market risk sensitivity analysis

The sensitivity of profit and other equity reserves to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation and before the mitigating effect of derivatives, is shown in the table below. This table does not include the impact of variables on retirement benefit schemes. Financial risk sensitivities for retirement benefit schemes are disclosed separately in note 19.

Group		Potential increase/ (decrease) in profit		Potential increase/ (decrease) in other equity reserves	
Variable	Change in variable	2022	Restated*	2022	2021
		£000	2021 £000	£000	£000
Interest rate risk	-100 basis points	(4,618)	(11,765)	(8)	54
	+100 basis points	5,648	9,475	7	(48)
Currency risk	-10%	2,154	4,118	13,123	10,845
	+10%	(1,763)	(3,369)	(10,737)	(8,873)
Equity price risk	+/-10%	28,676	28,375	-	-

Parent		Potential increase/ (decrease) in profit		Potential increase/ (decrease) in other equity reserves	
Variable	Change in variable	2022	Restated*	2022	2021
		£000	2021 £000	£000	£000
Interest rate risk	-100 basis points	(2,936)	(9,966)	4	10
	+100 basis points	4,218	7,119	(4)	-
Currency risk	-10%	2,154	4,118	6,715	5,303
	+10%	(1,763)	(3,369)	(5,494)	(4,339)
Equity price risk	+/-10%	27,017	26,192	-	-

*The comparative financial statements have been restated as detailed in note 40.

The following assumptions have been made in preparing the above sensitivity analysis:

- The value of fixed income investments will vary inversely with changes in interest rates, and all territories experience the same interest rate movement;
- Currency gains and losses will arise from a change in the value of sterling against all other currencies moving in parallel;
- Equity prices will move by the same percentage across all territories; and
- Change in profit is stated net of tax at the standard rate applicable in each of the Group's territories.

Notes to the financial statements

4 Financial risk and capital management (continued)

(i) Capital management

The Group's primary objectives when managing capital are to:

- Comply with the regulators' capital requirements of the markets in which the Group operates; and
- Safeguard the Group's ability to continue to meet stakeholders' expectations in accordance with its corporate mission, vision and values.

The Group is subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts, and capital is managed and evaluated on the basis of both regulatory and economic capital, at a group and parent entity level.

In the UK, the Group and its UK regulated entities are required to comply with rules issued by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

The PRA expects a firm, at all times, to hold Solvency II Own Funds in excess of its calculated Solvency Capital Requirement (SCR). Group solvency is assessed at the level of Ecclesiastical Insurance Office plc (EIO)'s parent, Benefact Group plc. Consequently, there is no directly comparable solvency measure for EIO group. Quantitative returns are submitted to the PRA, in addition to an annual narrative report, the Solvency and Financial Condition Report (SFCR) which is also published on the company's website. A further report, the Regular Supervisory Report (RSR) is periodically submitted to the PRA.

EIO's Solvency II Own Funds will be subject to a separate independent audit, as part of the Group's process for Solvency II reporting to the PRA. The Group's regulated entities, EIO and ELL, expect to meet the deadline for submission to the PRA of 6 April 2023 and their respective SFCRs will be made available on the Group's website shortly thereafter. Benefact Group is also expected to meet its deadline for submission to the PRA of 20 May 2023, with its SFCR also being made available on the Group's website shortly after.

	2022		2021	
	Ecclesiastical Insurance Office plc Parent £000	Ecclesiastical Life Limited £000	Ecclesiastical Insurance Office plc Parent £000	Ecclesiastical Life Limited £000
Solvency II Own Funds (unaudited)	630,058	54,172	616,905	55,235

Economic capital is the Group's own internal view of the level of capital required, and this measure is an integral part of the Own Risk and Solvency Assessment Report (ORSA) which is a private, internal forward-looking assessment of own risk, as required as part of the Solvency II regime. Risk appetite is set such that the target level of economic capital is always higher than the regulatory SCR.

Notes to the financial statements

5 Segment information

(a) Operating segments

The Group segments its business activities on the underwriting territory. Expenses relating to Group management activities are included within 'Corporate costs'. This reflects the management and internal Group reporting structure.

As part of the streamlining of the Benefact Group, on 30 December 2022, the Group disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited. On 3 January 2023, the shares of EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited were distributed to the Group's immediate parent company, Benefact Group plc. Discontinued operations are disclosed separately in note 16 and excluded from the segmental analysis. The prior period has been re-presented in line with the current year basis.

The activities of each operating segment are described below.

- General business

United Kingdom and Ireland

The Group's principal general insurance business operation is in the UK, where it operates under the Ecclesiastical and Ansvar brands. The Group also operates an Ecclesiastical branch in the Republic of Ireland underwriting general business across the whole of Ireland.

Australia

The Group has a wholly-owned subsidiary in Australia underwriting general insurance business under the Ansvar brand.

Canada

The Group operates a general insurance Ecclesiastical branch in Canada.

Other insurance operations

This includes the Group's internal reinsurance function, adverse development cover and operations that are in run-off or not reportable due to their immateriality.

- Life business

Ecclesiastical Life Limited provides long-term policies to support funeral planning products. The business reopened in the year but remains closed to new insurance business.

- Corporate costs

This includes costs associated with Group management activities.

Inter-segment and inter-territory transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 1.

Notes to the financial statements

5 Segment information (continued)

Segment revenue

The Group uses gross written premiums as the measure for turnover of the general and life insurance business segments. Segment revenues do not include net investment return or general business fee and commission income, which are reported within revenue in the consolidated statement of profit or loss.

Revenue is attributed to the geographical region in which the customer is based.

Continuing operations

General business

United Kingdom and Ireland

Australia

Canada

Other insurance operations

Total

Life business

Group revenue

	2022 £000	Re-presented* 2021 £000
General business		
United Kingdom and Ireland	344,788	297,235
Australia	99,698	93,365
Canada	108,761	91,610
Other insurance operations	5,297	4,010
Total	558,544	486,220
Life business	7	(9)
Group revenue	558,551	486,211

Group revenues are not materially concentrated on any single external customer.

*The prior year has been re-presented for discontinued operations as detailed in note 16 to the financial statements.

Segment result

General business segment results comprise the insurance underwriting profit or loss, investment activities and other expenses of each underwriting territory. The Group uses the industry standard net combined operating ratio (COR) as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. Further details on the underwriting profit or loss and COR, which are alternative performance measures that are not defined under IFRS, are detailed in note 38.

The life business segment result comprises the profit or loss on insurance contracts (including return on assets backing insurance liabilities in the long-term fund), shareholder investment return and other expenses.

2022	Combined operating ratio	Insurance £000	Investments £000	Other £000	Total £000
Continuing operations					
General business					
United Kingdom and Ireland	86.7%	24,239	(7,726)	(2,075)	14,438
Australia	107.3%	(2,864)	3,667	(235)	568
Canada	90.6%	7,025	3,570	(146)	10,449
Other insurance operations		(981)	135	-	(846)
	91.0%	27,419	(354)	(2,456)	24,609
Life business		3,552	(7,191)	-	(3,639)
Corporate costs		-	-	(25,743)	(25,743)
Profit/(loss) before tax		30,971	(7,545)	(28,199)	(4,773)

Notes to the financial statements

5 Segment information (continued)

2021 (restated*)					
Continuing operations					
	Combined operating ratio	Insurance £000	Investments £000	Other £000	Total £000
General business					
United Kingdom and Ireland	85.3%	24,952	88,953	(2,098)	111,807
Australia	156.9%	(13,306)	1,924	(34)	(11,416)
Canada	88.6%	7,065	999	(156)	7,908
Other insurance operations		(9,952)	(133)	-	(10,085)
	96.8%	8,759	91,743	(2,288)	98,214
Life business		1,117	3,981	-	5,098
Corporate costs		-	-	(24,134)	(24,134)
Profit/(loss) before tax		9,876	95,724	(26,422)	79,178

*The comparative financial statements have been restated as detailed in note 40.

(b) Geographical information

Gross written premiums from external customers and non-current assets, as attributed to individual countries in which the Group operates, are as follows:

	2022		2021	
	Gross written premiums £000	Non-current assets £000	Gross written premiums £000	Non-current assets £000
United Kingdom and Ireland	350,092	319,485	301,236	293,726
Australia	99,698	3,052	93,365	2,925
Canada	108,761	5,601	91,610	6,227
	558,551	328,138	486,211	302,878

Gross written premiums are allocated based on the country in which the insurance contracts are issued. Non-current assets exclude rights arising under insurance contracts, deferred tax assets, pension assets and financial instruments and are allocated based on where the assets are located.

6 Net insurance premium revenue

	General business £000	Life business £000	Total £000
For the year ended 31 December 2022			
Gross written premiums	558,544	7	558,551
Outward reinsurance premiums	(238,069)	-	(238,069)
Net written premiums	320,475	7	320,482
Change in the gross provision for unearned premiums	(30,619)	-	(30,619)
Change in the provision for unearned premiums, reinsurers' share	14,114	-	14,114
Change in the net provision for unearned premiums	(16,505)	-	(16,505)
Earned premiums, net of reinsurance	303,970	7	303,977
For the year ended 31 December 2021			
Gross written premiums	486,220	(9)	486,211
Outward reinsurance premiums	(198,601)	-	(198,601)
Net written premiums	287,619	(9)	287,610
Change in the gross provision for unearned premiums	(24,504)	-	(24,504)
Change in the provision for unearned premiums, reinsurers' share	9,884	-	9,884
Change in the net provision for unearned premiums	(14,620)	-	(14,620)
Earned premiums, net of reinsurance	272,999	(9)	272,990

Notes to the financial statements

7 Fee and commission income

During the year, in respect of continuing operations, the Group recognised £63,297,000 (2021: £55,019,000) fee and commission income in accordance with IFRS 4, *Insurance Contracts* and £236,000 (2021: £398,000) in accordance with IFRS 15, *Revenue from contracts with customers*. Fee and commission income from contracts with customers was recognised at a point in time rather than over time.

8 Net investment return

Income from financial assets at fair value through profit or loss

- equity income
- debt income
- structured note income

Income from financial assets calculated using the effective interest rate method

- cash and cash equivalents income

- other income received

Other income/(expense)

- rental income
- exchange movements

Investment income

Fair value movements on financial instruments at fair value through profit or loss

Fair value movements on investment property

Impact of discount rate change on insurance contract liabilities

Net investment return

Less: discontinued operations

Net investment return of continuing operations

	2022 £000	Restated* 2021 £000
Income from financial assets at fair value through profit or loss	6,780	7,482
Income from financial assets calculated using the effective interest rate method	11,074	12,123
	346	30
Other income/(expense)	3,502	(24)
	3,011	1,999
Other income/(expense)	8,837	8,648
	(1,416)	605
Investment income	32,134	30,863
Fair value movements on financial instruments at fair value through profit or loss	(72,912)	38,102
Fair value movements on investment property	(21,209)	20,238
Impact of discount rate change on insurance contract liabilities	66,857	14,464
Net investment return	4,870	103,667
Less: discontinued operations	(812)	(770)
Net investment return of continuing operations	4,058	102,897

*The comparative financial statements have been restated as detailed in note 40.

Included within fair value movements on financial instruments at fair value through profit or loss are gains of £3,733,000 (2021: £3,504,000 gains) in respect of derivative instruments.

Notes to the financial statements

9 Claims and change in insurance liabilities and reinsurance recoveries

	General business £000	Life business £000	Total £000
For the year ended 31 December 2022			
Gross claims paid	214,032	5,074	219,106
Gross change in the provision for claims	67,317	-	67,317
Gross change in life business provision	-	(743)	(743)
Claims and change in insurance liabilities	281,349	4,331	285,680
Reinsurers' share of claims paid	(93,072)	-	(93,072)
Reinsurers' share of change in the provision for claims	(43,435)	-	(43,435)
Reinsurance recoveries	(136,507)	-	(136,507)
Claims and change in insurance liabilities, net of reinsurance	144,842	4,331	149,173
For the year ended 31 December 2021			
Gross claims paid	191,685	5,438	197,123
Gross change in the provision for claims	75,605	-	75,605
Gross change in life business provision	-	(3,095)	(3,095)
Claims and change in insurance liabilities	267,290	2,343	269,633
Reinsurers' share of claims paid	(83,235)	-	(83,235)
Reinsurers' share of change in the provision for claims	(40,587)	-	(40,587)
Reinsurance recoveries	(123,822)	-	(123,822)
Claims and change in insurance liabilities, net of reinsurance	143,468	2,343	145,811

10 Fees, commissions and other acquisition costs

	2022 £000	Re-presented* 2021 £000
Fees paid	115	21
Commission paid	87,695	75,601
Change in deferred acquisition costs	(5,349)	(4,376)
Other acquisition costs	28,426	26,805
Fees, commissions and other acquisition costs	110,887	98,051
Less: discontinued operations	(2,191)	(2,402)
Fees, commissions and other acquisition costs of continuing operations	108,696	95,649

*The prior year has been re-presented for discontinued operations as detailed in note 16 to the financial statements.

Notes to the financial statements

11 (Loss)/profit for the year

	2022 £000	Re-presented 2021 £000
<i>Continuing operations</i>		
(Loss)/profit for the year has been arrived at after charging/(crediting)		
Net foreign exchange losses/(gains)	1,374	(601)
Depreciation of property, plant and equipment	6,261	5,833
(Profit)/loss on disposal of property, plant and equipment	(9)	24
Amortisation of intangible assets	3,558	622
Decrease/(increase) in fair value of investment property	21,209	(20,238)
Employee benefits expense including termination benefits, net of recharges	92,503	83,291

12 Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	709	599
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries	323	347
Total audit fees	1,032	946
- Audit-related assurance services	183	214
- Other assurance services	87	-
Total non-audit fees	270	214
Total auditor's remuneration	1,302	1,160

Amounts disclosed are net of services taxes, where applicable. Audit-related assurance services include Prudential Regulatory Authority (PRA) and other regulatory audit work.

Auditor's remuneration of £143,000 relates to discontinued operations (2021: £153,000).

Notes to the financial statements

13 Employee information

The average monthly number of full-time equivalent employees of the Group and Parent, including executive directors, during the year by geographical location was:

Group	2022			Re-presented* 2021		
	General business No.	Life business No.	Other No.	General business No.	Life business No.	Other No.
United Kingdom and Ireland	901	1	131	860	1	107
Australia	137	-	-	110	-	-
Canada	79	-	-	78	-	-
	1,117	1	131	1,048	1	107

Parent	2022			Re-presented* 2021		
	General business No.	Life business No.	Other No.	General business No.	Life business No.	Other No.
United Kingdom and Ireland	901	1	112	860	1	107
Canada	79	-	-	78	-	-
	980	1	112	938	1	107

Average numbers of full-time equivalent employees have been quoted rather than average numbers of employees to give a better reflection of the split between business areas, as some employees' work is divided between more than one business area.

Continuing operations

	2022		Re-presented* 2021	
	Group £000	Parent £000	Group £000	Parent £000
Wages and salaries	90,908	79,033	81,186	72,207
Social security costs	8,562	8,562	7,592	7,592
Pension costs - defined contribution plans	7,046	6,134	6,207	5,516
Pension costs - defined benefit plans	695	695	1,646	1,646
Other post-employment benefits	132	132	83	83
Total staff costs	107,343	94,556	96,714	87,044
Staff costs recharged to related undertakings of the Group	(14,509)	(14,671)	(12,251)	(12,260)
Capitalised staff costs	(502)	(502)	(1,446)	(1,446)
	92,332	79,383	83,017	73,338

*The prior year has been re-presented for discontinued operations as detailed in note 16 to the financial statements.

The above Group figures do not include termination benefits of £248,000 (2021: £274,000) of which £77,000 (2021: £nil) was recharged to related undertakings of the Group. The above Parent figures do not include termination benefits of £248,000 (2021: £274,000), of which £77,000 (2021: £10,000) was recharged to related undertakings of the Parent.

Notes to the financial statements

14 Tax expense

(a) Tax charged/(credited) to the statement of profit or loss

		2022 £000	Restated* 2021 £000
Current tax	- current year	6,770	13,178
	- prior year adjustments	(293)	1,468
Deferred tax	- temporary differences	(9,052)	(4,646)
	- prior year adjustments	(21)	(887)
	- Impact of change in deferred tax rate	-	9,029
Total tax (credit)/expense		(2,596)	18,142
Less: tax expense of discontinued operations		(419)	(121)
Total tax (credit)/expense of continuing operations		(3,015)	18,021

Tax on the Group's result before tax differs from the United Kingdom standard rate of corporation tax for the reasons set out in the following reconciliation:

		2022 £000	Restated* 2021 £000
(Loss)/profit before tax		(4,773)	79,178
Profit/(loss) before tax (discontinued operations)		14,115	459
Total pre-tax profit		9,342	79,637
Tax calculated at the UK standard rate of tax of 19% (2021: 19%)		1,775	15,131
<i>Factors affecting (credit)/charge for the year:</i>			
Expenses not deductible for tax purposes		805	(1,265)
Non-taxable income		(4,415)	(1,862)
Life insurance and other tax paid at non-UK rates		13	(1,234)
Impact of differential between current and deferred tax rate		(460)	707
Tax losses utilised for which no deferred tax asset was recognised		-	(379)
Deferred tax asset for tax losses not previously recognised		-	(2,565)
Impact of change in deferred tax rate		-	9,029
Adjustments to tax charge in respect of prior periods		(314)	580
Total tax (credit)/expense		(2,596)	18,142

A change in the UK standard rate of corporation tax from 19% to 25% will become effective from 1 April 2023. Deferred tax has been provided at an average rate of 24% (2021: 24%).

*The comparative financial statements have been restated as detailed in note 40.

(b) Tax charged/(credited) to other comprehensive income

		2022 £000	2021 £000
Current tax (credited)/charged on:			
	Fair value movements on hedge derivatives	(340)	313
Deferred tax (credited)/charged on:			
	Actuarial movements on retirement benefit plans	(2,543)	9,665
	Fair value movements on hedge derivatives	(485)	(178)
	Impact of change in deferred tax rate	-	(1,519)
Total tax (credited)/charged to other comprehensive income		(3,368)	8,281

Tax relief on charitable grants of £3,800,000 (2021: £3,990,000) has been taken directly to equity.

Notes to the financial statements

15 Appropriations

Amounts paid directly from equity in the period:

Dividends

Non-Cumulative Irredeemable Preference share dividend (8.625 pence per share)

Charitable grants

Gross charitable grants to the ultimate parent company, Benefact Trust Limited

Tax relief

Net appropriation for the year

2022 £000	2021 £000
9,181	9,181
20,000	21,000
(3,800)	(3,990)
16,200	17,010

16 Disposal of subsidiaries and discontinued operations

On 30 December 2022 the Group disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited, to a related party. The related party is an associate of the Company's immediate parent company, Benefact Group plc. The results of the disposed subsidiaries are reported in the current and prior year as discontinued operations.

(a) Disposal of subsidiaries

Consideration received or receivable

Carrying amount of net assets sold

Gain on disposal before and after tax

2022 £000	2021 £000
45,197	-
(30,904)	-
14,293	-

The gain on disposal has been presented within profit attributable to discontinued operations in the consolidated statement of profit or loss.

The carrying amounts of assets and liabilities as at the date of disposal were:

Goodwill and other intangible assets
Property, plant and equipment
Other assets
Cash and cash equivalents
Total assets

Lease obligations
Provisions for other liabilities
Current tax liabilities
Deferred income
Other liabilities

Total liabilities

Net assets

2022 £000	2021 £000
22,707	-
1,666	-
7,466	-
8,842	-
40,681	-
(1,215)	-
(263)	-
(1,010)	-
(512)	-
(6,777)	-
(9,777)	-
30,904	-

Notes to the financial statements

16 Disposal of subsidiaries and discontinued operations (continued)

On 3 January 2023 the Company approved a dividend in specie and distributed its entire holdings in EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited to the Group's immediate parent company, Benefact Group plc. The results of these subsidiaries are reported in the current and prior year as a discontinued operations and associated assets and liabilities are presented as held for distribution in the current year statement of financial position.

(b) Assets and liabilities of disposal group classified as held for distribution

The following assets and liabilities were classified as held for distribution in relation to the discontinued operation at 31 December 2022:

	2022 £000	2021 £000
Other assets	9,822	-
Cash and cash equivalents	5,177	-
Total assets of disposal groups held for distribution	14,999	-
Deferred income	261	-
Other liabilities	10,234	-
Total liabilities of disposal groups held for distribution	10,495	-

(c) Financial performance of discontinued operations

Discontinued operations includes both the subsidiaries sold in the year and the assets held for distribution at the balance sheet date.

	2022 £000	2021 £000
Revenue	23,695	31,286
Expenses	(23,801)	(30,750)
Finance costs	(72)	(77)
(Loss)/profit before tax of discontinued operations	(178)	459
Tax expense	(419)	(121)
(Loss)/profit after tax of discontinued operations	(597)	338
Gain on disposal of subsidiaries after tax	14,293	-
Profit from discontinued operations	13,696	338

(d) Cash flow information for discontinued operations

Net cash (outflow)/inflow from operating activities
Net cash outflow from investing activities
Net cash outflow from financing activities
Net (decrease)/increase in cash generated by discontinued operations

2022 £000	2021 £000
(397)	2,718
(8,987)	(104)
(239)	(268)
(9,623)	2,346

Net cash outflow from investing activities includes an outflow of £8,842,000 (2021: £nil) from the disposal of South Essex Insurance Holdings Limited.

Notes to the financial statements

17 Goodwill and other intangible assets

Group	Goodwill £000	Computer software £000	Other intangible assets £000	Total £000
Cost				
At 1 January 2022	24,697	45,335	5,975	76,007
Additions	-	3,900	-	3,900
Disposals	(22,600)	-	(5,789)	(28,389)
Exchange differences	-	255	10	265
At 31 December 2022	2,097	49,490	196	51,783
Accumulated impairment losses and amortisation				
At 1 January 2022	406	17,931	5,158	23,495
Amortisation charge for the year	-	3,304	254	3,558
Impairment losses for the year	-	-	-	-
Disposals	(406)	-	(5,276)	(5,682)
Exchange differences	-	150	7	157
At 31 December 2022	-	21,385	143	21,528
Net book value at 31 December 2022	2,097	28,105	53	30,255
Cost				
At 1 January 2021	24,697	48,135	5,987	78,819
Additions	-	3,914	-	3,914
Disposals	-	(6,641)	-	(6,641)
Exchange differences	-	(73)	(12)	(85)
At 31 December 2021	24,697	45,335	5,975	76,007
Accumulated impairment losses and amortisation				
At 1 January 2021	379	19,179	4,908	24,466
Amortisation charge for the year	-	575	254	829
Impairment losses for the year	27	-	-	27
Disposals	-	(1,876)	-	(1,876)
Exchange differences	-	53	(4)	49
At 31 December 2021	406	17,931	5,158	23,495
Net book value at 31 December 2021	24,291	27,404	817	52,512

During the year the Group disposed of its interest in South Essex Insurance Holdings Limited resulting in the disposal of goodwill of £22,195,000 and intangible assets of £512,000. See note 16 for further information.

Notes to the financial statements

17 Goodwill and other intangible assets (continued)

Other intangible assets consist of acquired brand, customer and distribution relationships, which have an overall remaining useful life of three years on a weighted average basis (2021: one year).

Parent	2022			2021		
	Computer software £000	Other intangible assets £000	Total £000	Computer software £000	Other intangible assets £000	Total £000
Cost						
At 1 January	43,372	185	43,557	41,330	198	41,528
Additions	3,900	-	3,900	3,914	-	3,914
Disposals	-	-	-	(1,964)	-	(1,964)
Exchange differences	255	10	265	92	(13)	79
At 31 December	47,527	195	47,722	43,372	185	43,557
Amortisation						
At 1 January	15,972	84	16,056	17,222	41	17,263
Charge for the year	3,304	47	3,351	574	48	622
Disposals	-	-	-	(1,876)	-	(1,876)
Exchange differences	150	7	157	52	(5)	47
At 31 December	19,426	138	19,564	15,972	84	16,056
Net book value at 31 December	28,101	57	28,158	27,400	101	27,501

18 Deferred acquisition costs

At 1 January
Increase in the period
Release in the period
Exchange differences
At 31 December

2022		2021	
Group £000	Parent £000	Group £000	Parent £000
46,027	36,740	41,989	33,472
52,539	42,201	46,122	36,689
(47,190)	(37,491)	(41,746)	(33,520)
1,150	680	(338)	99
52,526	42,130	46,027	36,740

All balances are current.

Notes to the financial statements

19 Retirement benefit schemes

Defined contribution pension plans

The Group operates a number of defined contribution pension plans, for which contributions by the Group are disclosed in note 13.

Defined benefit pension plans

The Group's defined benefit plan is operated by the Parent in the UK. The plan closed to new entrants on 5 April 2006. The terms of the plan for future service changed in August 2011 from a non-contributory final salary scheme to a contributory scheme in which benefits are based on career average revalued earnings. The scheme closed to future accrual on 30 June 2019. Active members in employment at this date retained certain enhanced benefits after the plan closed to future accrual, including benefits in relation to death in service and ill health retirement. They also retain the link to final salary whilst they remain employed by the Parent. From 1 July 2019, active members in employment joined one of the Group's defined contribution plans. The scheme previously had two discrete sections: the EIO Section and the Ansvar Section. With effect from 1 January 2021, the two discrete sections of the scheme have been combined.

The assets of the defined benefit plan are held separately from those of the Group by the Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund (the 'Fund'). The Fund is subject to the Statutory Funding Objective under the Pensions Act 2004. An independent qualified actuary appointed by the Trustee is responsible for undertaking triennial valuations to determine whether the Statutory Funding Objective is met. Pension costs for the plan are determined by the Trustee, having considered the advice of the actuary and having consulted with the employer. The most recent triennial valuation was at 31 December 2019. No contribution is expected to be paid by the Group in 2023.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2022 for IAS 19 purposes. As the Parent does not have an unconditional right to a refund of the surplus attributable to the former EIO Section of the scheme, it has been assessed against the economic benefit available to the Parent as a reduction in future contributions in accordance with IFRIC 14. This has resulted in the recognisable surplus being restricted by £57.1m. The Parent has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with IFRIC 14.

In the current year, actuarial gains arising from changes in financial assumptions of £153.2m (2021: £19.4m) have been recognised in the statement of other comprehensive income. £148.6m of this gain resulted from the 2.87% increase in the discount rate. In the prior year, the actuarial gains arising from changes in financial assumptions resulted from a 0.6% increase in the discount rate, partially offset by inflation-linked pension increases.

The experience loss on the defined benefit obligation of £11.8m (2021: £0.9m) resulted from actual inflation exceeding the inflation assumptions. A review and update to certain demographic assumptions resulted in an actuarial gain of £3.4m (2021: £4.2m actuarial gain) being recognised in the current year.

The defined benefit plan typically exposes the Group to risks such as:

- Investment risk: The Fund holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long term, any short-term volatility could cause funding to be required if a deficit emerges. Derivative contracts are used from time to time, which would limit losses in the event of a fall in equity markets;
- Interest rate risk: Scheme liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is also calculated using the market rate of interest. The Group's defined benefit plan holds Liability Driven Investments (LDIs) to hedge part of the exposure of the scheme's liabilities to movements in interest rates;
- Inflation risk: A significant proportion of scheme benefits are linked to inflation. Although scheme assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to a deficit emerging. The Group's defined benefit plan holds LDIs to hedge part of the exposure of the scheme's liabilities to movements in inflation expectations;
- Mortality risk: In the event that members live longer than assumed the liabilities may be understated originally, and a deficit may emerge if funding has not adequately provided for the increased life expectancy; and

Notes to the financial statements

19 Retirement benefit schemes (continued)

- Currency risk: The Fund holds some of its investments in foreign denominated assets. As scheme liabilities are denominated in sterling, short-term fluctuations in exchange rates could cause funding to be required if a deficit emerges. Currency derivative contracts are used from time to time, which would limit losses in the event of adverse movements in exchange rates.

The Trustees set the investment objectives and strategy for the Fund based on independent advice and in consultation with the employer. Key factors addressed in setting strategy include the Fund's liability profile, funding level and strength of employer covenant. Their key objectives are to ensure the Fund can meet members' guaranteed benefits as they fall due, reduce the risk of assets failing to meet its liabilities over the long term and manage the volatility of returns and overall funding level.

A blend of diversified growth assets (equities and property) and protection assets (bonds, gilts and cash) are deployed to balance the level of risk to that required to provide, with confidence, a sufficient return and liquidity to continue to meet members' obligations as they fall due. The Trustees have identified the key risks faced by the Fund in meeting this objective to be equity price risk, falls in bond yields and rising inflation.

During 2022, the Trustees have implemented a number of changes to reduce the Fund's exposure to market volatility and better protect the funding position. The Fund's relative exposure to equity investments has been reduced and a specific allocation to infrastructure investments created to further diversify the Fund's investments; and overall liquidity levels have increased.

A liability-driven investment (LDI) allocation is maintained as a risk management tool in order to preserve some future protection for the Fund against falling yields and rising inflation, designed to hedge 65% of the interest rate and 75% of the inflation rate risk of the guaranteed benefits of the Fund. Exposure of the Fund's assets to interest rates and inflation counter-balances exposure of the Fund's liabilities to these factors and has suppressed, but not eliminated, volatility in the funding position.

The Trustees monitor investment performance and strategy over time to ensure the structure adopted continues to meet their objectives and to highlight opportunities to reduce investment risk and volatility where practical and affordable. Their aim is to establish a Long Term Funding Target in line with guidance from the Pensions Regulator. The Trustees intend that this long term target will be reached through investment performance only and without requiring further contributions from the Parent.

The Trustees adopt a Responsible and Sustainable Investment Policy in relation to the Fund's equities. This includes an 'absence of harm' exclusion policy, as well as an aspiration to reduce the portfolio's carbon intensity over time.

Group and Parent

The amounts recognised in the statement of financial position are determined as follows:

Present value of funded obligations
Fair value of plan assets

Restrictions on asset recognised
Net defined benefit pension scheme surplus in the statement of financial position

Movements in the net defined benefit pension scheme asset recognised in the statement of financial position are as follows:

At 1 January
Expense charged to profit or loss
Amounts recognised in other comprehensive income
At 31 December

The amounts recognised through profit or loss are as follows:

Current service cost
Administration cost
Interest expense on liabilities
Interest income on plan assets
Effect of interest on asset ceiling
Total, included in employee benefits expense

The amounts recognised in the statement of other comprehensive income are as follows:

Return on plan assets, excluding interest income
Experience losses on liabilities
Gains from changes in demographic assumptions
Gains from changes in financial assumptions
Change in asset ceiling
Total included in other comprehensive income

2022 £000	2021 £000
(229,343)	(377,113)
301,773	422,885
72,430	45,772
(57,092)	(17,468)
15,338	28,304
28,304	(9,353)
(695)	(1,646)
(12,271)	39,303
15,338	28,304
(573)	(683)
(654)	(828)
(7,064)	(5,193)
7,928	5,058
(332)	-
(695)	(1,646)
(117,766)	34,200
(11,806)	(944)
3,368	4,155
153,225	19,360
(39,292)	(17,468)
(12,271)	39,303

Notes to the financial statements

19 Retirement benefit schemes (continued)

The following is the analysis of the defined benefit pension balances:

Group and Parent

	2022 £000	2021 £000
Pension surplus	15,338	28,304
Pension deficit	-	-
	15,338	28,304

The principal actuarial assumptions (expressed as weighted averages) were as follows*:

	%	%
Discount rate	4.77	1.90
Inflation (RPI)	3.31	3.40
Inflation (CPI)	2.80	3.00
Future salary increases	4.15	4.50
Future increase in pensions in deferment	3.40	3.60
Future average pension increases (linked to RPI)	3.05	3.20
Future average pension increases (linked to CPI)	2.10	2.20

*Single-equivalent rates are disclosed for the current year.

Mortality rate

The average life expectancy in years of a pensioner retiring at age 65, at the year-end date, is as follows:

Male	22.8	22.7
Female	24.1	24.0

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the year-end date, is as follows:

Male	23.5	23.5
Female	25.3	25.2

Plan assets are weighted as follows:

	£000	£000
Cash and other ¹	36,779	38,856
Equity instruments		
UK quoted	44,797	81,330
UK unquoted	-	34
Overseas quoted	42,200	90,751
	86,997	172,115
Liability driven investments - unquoted	46,988	60,482
Debt instruments		
UK public sector quoted - fixed interest	-	227
UK non-public sector quoted - fixed interest	68,372	77,883
UK quoted - index-linked	21,241	24,806
	89,613	102,916
	(588)	851
Derivative financial instruments - unquoted		
Property	41,984	47,665
	301,773	422,885

¹ Includes accrued income, prepayments and other debtors and creditors.

The actual return on plan assets was a loss of £109,838,000 (2021: a gain of £39,258,000).

The underlying assets of the LDIs are primarily UK government bonds and interest rate repurchase agreements at various rates and terms.

The fair value of unquoted securities is measured using inputs for the asset that are not based on observable market data. The fair value is estimated and approved by the Trustee based on the advice of investment managers. Property is valued annually by independent qualified surveyors using standard industry methodology to determine a fair market value. All other investments either have a quoted price in active markets or are valued based on observable market data.

Notes to the financial statements

19 Retirement benefit schemes (continued)

The movements in the fair value of plan assets and the present value of the defined benefit obligation over the year are as follows:

	2022 £000	2021 £000
Plan assets		
At 1 January	422,885	394,356
Interest income	7,928	5,058
Actual return on plan assets, excluding interest income	(117,766)	34,200
Pension benefits paid and payable	(11,274)	(10,729)
At 31 December	301,773	422,885
Defined benefit obligation		
At 1 January	377,113	403,709
Current service cost	573	683
Administration cost	654	828
Interest cost	7,064	5,193
Pension benefits paid and payable	(11,274)	(10,729)
Experience losses on liabilities	11,806	944
Gains from changes in demographic assumptions	(3,368)	(4,155)
Gains from changes in financial assumptions	(153,225)	(19,360)
At 31 December	229,343	377,113
Asset ceiling		
At 1 January	17,468	-
Effect of interest on the asset ceiling	332	-
Change in asset ceiling	39,292	17,468
At 31 December	57,092	17,468

History of plan assets and liabilities

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Present value of defined benefit obligations	(229,343)	(377,113)	(403,709)	(371,179)	(325,738)
Fair value of plan assets	301,773	422,885	394,356	379,684	341,869
	72,430	45,772	(9,353)	8,505	16,131
Restrictions on asset recognised	(57,092)	(17,468)	-	-	-
Surplus/(deficit)	15,338	28,304	(9,353)	8,505	16,131

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15.9 years (2021: 21 years).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation, expected salary increases and mortality. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant.

Assumption	Change in assumption	Increase/(decrease) in plan liabilities	
		2022 £000	2021 £000
Discount rate	Increase by 0.5%	(16,133)	(35,010)
	Decrease by 0.5%	18,176	40,505
Inflation	Increase by 0.5%	12,552	29,134
	Decrease by 0.5%	(12,101)	(26,435)
Salary increase	Increase by 0.5%	2,285	5,540
	Decrease by 0.5%	(2,136)	(5,128)
Life expectancy	Increase by 1 year	7,215	16,402
	Decrease by 1 year	(7,479)	(16,021)

Post-employment medical benefits

The Parent operates a post-employment medical benefit plan, for which it chooses to self-insure. The method of accounting, assumptions and the frequency of valuation are similar to those used for the defined benefit pension plans.

Notes to the financial statements

19 Retirement benefit schemes (continued)

The provision of the plan leads to a number of risks as follows:

- Interest rate risk: The reserves are assessed using market rates of interest to discount the liabilities and are therefore subject to volatility in the movement of the market rates of interest. A reduction in the market rate of interest would lead to an increase in the reserves required to be held;
- Medical expense inflation risk: Future medical costs are influenced by a number of factors including economic trends and advances in medical technology and sciences. An increase in medical expense inflation would lead to an increase in the reserves required to be held;
- Medical claims experience: Claims experience can be volatile, exposing the Company to the risk of being required to pay over and above the assumed reserve. If future claims experience differs significantly from that experienced in previous years, this will increase the risk to the Company;
- Spouse and widows' contributions: The self-insured benefit includes a potential liability for members who pay contributions in respect of their spouse and for widows who pay contributions. There is the possibility that the contributions charged may not be sufficient to cover the medical costs that fall due; and
- Mortality risk: If members live longer than expected, the Company is exposed to the expense of medical claims for a longer period, with increased likelihood of needing to pay claims.

The amounts recognised in the statement of financial position are determined as follows:

Group and Parent

Present value of unfunded obligations and net obligations in the statement of financial position

Movements in the net obligations recognised in the statement of financial position are as follows:

	2022 £000	2021 £000
At 1 January	7,058	6,530
Total expense charged to profit or loss	132	83
Net actuarial (gains)/losses during the year, recognised in other comprehensive income	(2,100)	643
Benefits paid	(130)	(198)
At 31 December	4,960	7,058
The amounts recognised through profit or loss are as follows:		
Interest cost	132	83
Total, included in employee benefits expense	132	83

The weighted average duration of the net obligations at the end of the reporting period is 10.5 years (2021: 12.8 years).

The main actuarial assumptions for the plan are a long-term increase in medical costs of 7.31% (2021: 7.4%) and a discount rate of 4.77% (2021: 1.9%). An actuarial gain of £2,012,000 has been recognised in the current year due to the increase in the discount rate. A small actuarial gain has also been recognised due to changes in mortality assumptions. In the prior year, an actuarial loss from experience of £814,000 was recognised following a review of the medical cost scale. This was partially offset by an actuarial gain of £130,000 arising from changes in financial assumptions and a small actuarial gain arising from changes in mortality assumptions. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the accounting period assuming that all other assumptions are held constant.

Assumption	Change in assumption	Increase/(decrease) in plan liabilities
		2022 £000
		2021 £000
Discount rate	Increase by 0.5%	(239)
	Decrease by 0.5%	260
Medical expense inflation	Increase by 1.0%	497
	Decrease by 1.0%	(433)
Life expectancy	Increase by 1 year	372
	Decrease by 1 year	(340)

Notes to the financial statements

20 Property, plant and equipment

Group	Land and buildings £000	Motor vehicles £000	Furniture, fittings and equipment £000	Computer equipment £000	Right-of- use asset £000	Total £000
Cost or valuation						
At 1 January 2022	1,465	112	15,336	8,622	30,194	55,729
Additions	-	45	123	3,067	771	4,006
Disposals	-	(140)	(1,212)	(654)	(4,188)	(6,194)
Exchange differences	-	-	150	56	286	492
At 31 December 2022	1,465	17	14,397	11,091	27,063	54,033
Depreciation						
At 1 January 2022	-	74	6,532	6,444	7,434	20,484
Charge for the year	-	19	1,220	1,829	3,193	6,261
Disposals	-	(78)	(1,075)	(473)	(2,712)	(4,338)
Exchange differences	-	-	59	43	119	221
At 31 December 2022	-	15	6,736	7,843	8,034	22,628
Net book value at 31 December 2022	1,465	2	7,661	3,248	19,029	31,405
Cost or valuation						
At 1 January 2021	2,440	146	14,971	11,363	31,766	60,686
Additions	-	34	2,444	1,155	746	4,379
Disposals	-	(68)	(2,087)	(3,880)	(2,241)	(8,276)
Transfers to investment property	(975)	-	-	-	-	(975)
Exchange differences	-	-	8	(16)	(77)	(85)
At 31 December 2021	1,465	112	15,336	8,622	30,194	55,729
Depreciation						
At 1 January 2021	-	107	7,247	8,738	6,278	22,370
Charge for the year	-	17	1,377	1,599	3,162	6,155
Disposals	-	(50)	(2,087)	(3,880)	(1,952)	(7,969)
Exchange differences	-	-	(5)	(13)	(54)	(72)
At 31 December 2021	-	74	6,532	6,444	7,434	20,484
Net book value at 31 December 2021	1,465	38	8,804	2,178	22,760	35,245

Notes to the financial statements

20 Property, plant and equipment (continued)

Parent	Land and buildings £000	Motor vehicles £000	Furniture, fittings and equipment £000	Computer equipment £000	Right of use asset £000	Total £000
Cost or valuation						
At 1 January 2022	1,465	14	14,841	7,511	26,314	50,145
Additions	-	-	95	2,840	506	3,441
Disposals	-	-	(710)	-	(624)	(1,334)
Exchange differences	-	-	149	29	194	372
At 31 December 2022	1,465	14	14,375	10,380	26,390	52,624
Depreciation						
At 1 January 2022	-	14	6,192	5,635	5,533	17,374
Charge for the year	-	-	1,174	1,644	2,555	5,373
Disposals	-	-	(710)	-	(452)	(1,162)
Exchange differences	-	-	58	21	54	133
At 31 December 2022	-	14	6,714	7,300	7,690	21,718
Net book value at 31 December 2022	1,465	-	7,661	3,080	18,700	30,906
Cost or valuation						
At 1 January 2021	2,040	53	14,439	10,283	27,802	54,617
Additions	-	-	2,438	1,013	678	4,129
Disposals	-	(39)	(2,045)	(3,795)	(2,195)	(8,074)
Transfers to investment property	(575)	-	-	-	-	(575)
Exchange differences	-	-	9	10	29	48
At 31 December 2021	1,465	14	14,841	7,511	26,314	50,145
Depreciation						
At 1 January 2021	-	40	6,922	7,989	4,940	19,891
Charge for the year	-	2	1,321	1,432	2,530	5,285
Disposals	-	(28)	(2,045)	(3,793)	(1,940)	(7,806)
Exchange differences	-	-	(6)	7	3	4
At 31 December 2021	-	14	6,192	5,635	5,533	17,374
Net book value at 31 December 2021	1,465	-	8,649	1,876	20,781	32,771

All properties of the Group and Parent were last revalued at 31 December 2020. Valuations were carried out by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. All properties are classified as level 3 assets.

Movements in fair values are taken to the revaluation reserve within equity, net of deferred tax. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. Where the fair value of an individual property is below original cost, any revaluation movement arising during the year is recognised within net investment return in the statement of profit or loss. There have been no transfers between investment categories in the current year.

The value of land and buildings of the Group on a historical cost basis is £1,464,000 (2021: £1,464,000). The value of land and buildings of the Parent on a historical cost basis is £1,464,000 (2021: £1,464,000).

Depreciation expense has been charged in other operating and administrative expenses.

Notes to the financial statements

21 Investment property

Fair value at 1 January
Transfers from property, plant and equipment
Disposals
Fair value (losses)/gains recognised in profit or loss
Fair value at 31 December

2022		2021	
Group £000	Parent £000	Group £000	Parent £000
163,355	162,822	142,142	142,142
-	-	975	575
(1,300)	(767)	-	-
(21,209)	(21,209)	20,238	20,105
140,846	140,846	163,355	162,822

The Group's investment properties were last revalued at 31 December 2022 by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. There has been no change in the valuation technique during the year. All properties are classified as level 3 assets. There have been no transfers between investment categories in the current year.

Investment properties are held for long-term capital appreciation rather than short-term sale. Rental income arising from the investment properties owned by both the Group and Parent amounted to £8,837,000 (2021: £8,648,000) and is included in net investment return.

22 Financial investments

Financial investments summarised by measurement category are as follows:

Financial investments at fair value through profit or loss

2022		2021	
Group £000	Parent £000	Group £000	Parent £000
Equity securities			
- listed	268,623	248,149	281,682
- unlisted	85,400	85,400	68,620
Debt securities			
- government bonds	206,394	101,738	204,071
- listed	253,325	157,774	313,294
- unlisted	-	-	34
Structured notes	56,138	-	14,649
Derivative financial instruments			
- options	100	100	334
- forwards	-	-	147
869,980	593,161	882,686	640,004

Financial investments at fair value through other comprehensive income

Derivative financial instruments			
- forwards	655	655	414
870,635	593,816	883,100	640,273

Total financial investments at fair value

Loans and receivables

Other loans

Parent investments in subsidiary undertakings

Shares in subsidiary undertakings

Total financial investments			
870,749	636,637	883,770	707,106
420,626	322,007	447,418	392,530
450,123	314,630	436,352	314,576

All investments in subsidiary undertakings are unlisted.

The Group's exposure to interest rate risk is detailed in note 4(c).

Notes to the financial statements

23 Derivative financial instruments

The Group utilises derivatives to mitigate equity price risk arising from investments held at fair value, foreign exchange risk arising from investments denominated in foreign currencies, and foreign exchange risk arising from investments denominated in Sterling that contain underlying foreign currency exposure. These 'non-hedge' derivatives either do not qualify for hedge accounting or the option to hedge account has not been taken.

The Group has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A loss of £4,514,000 (2021: gain of £1,912,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in note 27. The Group has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

Group	2022			2021		
	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
Equity/Index contracts						
Options	100	100	-	34,695	334	296
Foreign exchange contracts						
Forwards (Euro)	93,712	-	2,475	99,369	2	35
Hedge derivatives						
Foreign exchange contracts						
Forwards (Australian dollar)	55,742	-	759	40,512	145	-
Forwards (Canadian dollar)	48,442	655	-	37,609	269	-
	197,996	755	3,234	212,185	750	331

All derivatives in the current and prior period expire within one year.

The derivative financial instruments of the Parent are the same as the Group, with the exception of the Australian dollar foreign exchange contract which is classified as a non-hedge derivative.

All contracts designated as hedging instruments were fully effective in the current and prior year.

The notional amounts above reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transactions. They do not reflect current market values of the open positions.

Derivative fair value assets are recognised within financial investments (note 22) and derivative fair value liabilities are recognised within other liabilities (note 31).

Notes to the financial statements

20 Property, plant and equipment (continued)

24 Other assets

Receivables arising from insurance and reinsurance contracts

- due from contract holders
- due from agents, brokers and intermediaries
- due from reinsurers

Other receivables

- accrued interest and rent
- other prepayments and accrued income
- amounts owed by related parties
- debtors arising from broking activities
- net investment in finance leases
- other debtors

Current
Non-current

2022		2021	
Group £000	Parent £000	Group £000	Parent £000
62,418	62,019	52,706	52,629
84,751	56,247	67,333	43,712
15,270	9,429	12,583	8,001
4,122	3,007	3,927	3,096
8,248	5,190	8,606	4,425
125,644	131,368	68,900	80,688
-	-	7,008	-
-	-	111	111
10,335	1,757	19,736	2,146
310,788	269,017	240,910	194,808
185,157	134,838	181,346	134,574
125,631	134,179	59,564	60,234

The Group has recognised a net charge of £280,000 (2021: net charge of £554,000) in other operating and administrative expenses in the statement of profit or loss for the impairment and reversal of impairment of its trade and other receivables during the year. The Parent has recognised a net charge of £260,000 (2021: net charge of £578,000).

There has been no significant change in the recoverability of the Group's or Parent's other assets, for which no collateral is held. The directors consider that the amounts are recoverable at their carrying values, which are stated net of an allowance for doubtful debts for those debtors that are individually determined to be impaired.

Included within amounts due from agents, brokers and intermediaries of the Group and Parent is a letter of credit for £2,000,000 (2021: £2,000,000) and included within amounts owed by related parties of the Parent is £11,110,000 (2021: £12,152,000) pledged as collateral in respect of an insurance liability.

Included within other receivables of the Group is £1,699,000 (2021: £1,584,000) classified as contract assets and £nil (2021: £1,618,000) classified as receivables in accordance with IFRS 15.

Movement in the allowance for doubtful debts

Balance at 1 January
Movement in the year
Balance at 31 December

2022		2021	
Group £000	Parent £000	Group £000	Parent £000
985	881	723	574
128	105	262	307
1,113	986	985	881

Included within other assets of the Group is £42,256,000 (2021: £13,702,000) overdue but not impaired, of which £33,279,000 (2021: £11,754,000) is not more than three months overdue at the reporting date. Included within trade receivables of the Parent is £17,556,000 (2021: £2,012,000) overdue but not impaired, of which £15,571,000 (2021: £1,884,000) is not more than three months overdue at the reporting date.

Notes to the financial statements

25 Cash and cash equivalents

	2022		2021	
	Group £000	Parent £000	Group £000	Parent £000
Cash at bank and in hand	58,175	35,020	75,982	30,038
Short-term bank deposits	46,489	31,549	38,054	18,399
	104,664	66,569	114,036	48,437

Included within short-term bank deposits of the Group and Parent are cash deposits of £8,810,000 (2021: £2,830,000) pledged as collateral by way of cash margins on open derivative contracts to cover derivative liabilities. Included within cash at bank and in hand of the Group and Parent are amounts of £866,000 (2021: £820,000) held in accordance with the third country branch requirements of the European Union.

Included within Group cash at bank and in hand are amounts of £15,109,000 (2021: £23,072,000) pledged as collateral by way of cash calls from reinsurers, and Enil (2021: £4,604,000) of restricted cash held on an agency basis.

26 Share capital

	Issued, allotted and fully paid	
	2022 £000	2021 £000
Ordinary shares of 4p each	14,027	14,027
8.625% Non-Cumulative Irredeemable Preference shares of £1 each	106,450	106,450
	120,477	120,477
The number of shares in issue are as follows:		
Ordinary shares of 4p each		
At 1 January and 31 December	350,678	350,678
8.625% Non-Cumulative Irredeemable Preference shares of £1 each		
At 1 January and 31 December	106,450	106,450

On winding up, the assets of the Company remaining after payment of its liabilities are to be applied to holders of the Non-Cumulative Irredeemable Preference shares in repaying the nominal capital sum paid up on the shares and an amount equal to all arrears of accrued and unpaid dividends up to the date of the commencement of the winding up. The residual interest in the assets of the Company after deducting all liabilities belongs to the Ordinary shareholders.

Holders of the Non-Cumulative Irredeemable Preference shares are not entitled to receive notice of, or to attend, or vote at any general meeting of the Company unless at the time of the notice convening such meeting, the dividend on such shares which is most recently payable on such shares shall not have been paid in full, or where a resolution is proposed varying any of the rights of such shares, or for the winding up of the Company.

Notes to the financial statements

27 Translation and hedging reserve

Group	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2022	13,196	4,407	17,603
Gains on currency translation differences	5,392	-	5,392
Losses on net investment hedges	-	(4,514)	(4,514)
Attributable tax	-	825	825
At 31 December 2022	18,588	718	19,306
At 1 January 2021	15,552	2,678	18,230
Losses on currency translation differences	(2,356)	-	(2,356)
Gains on net investment hedges	-	1,912	1,912
Attributable tax	-	(183)	(183)
At 31 December 2021	13,196	4,407	17,603
Parent			
At 1 January 2022	6,969	67	7,036
Gains on currency translation differences	2,470	-	2,470
Losses on net investment hedges	-	(1,938)	(1,938)
Attributable tax	-	485	485
At 31 December 2022	9,439	(1,386)	8,053
At 1 January 2021	6,418	649	7,067
Gains on currency translation differences	551	-	551
Losses on net investment hedges	-	(713)	(713)
Attributable tax	-	131	131
At 31 December 2021	6,969	67	7,036

The translation reserve arises on consolidation of the Group's and Parent's foreign operations. The hedging reserve represents the cumulative amount of gains and losses on hedging instruments in respect of net investments in foreign operations.

Notes to the financial statements

28 Insurance liabilities and reinsurance assets

	2022		Restated* 2021	
	Group £000	Parent £000	Group £000	Parent £000
Gross				
Claims outstanding	635,944	460,850	612,002	466,986
Unearned premiums	289,451	235,174	253,158	202,389
Life business provision	53,905	-	73,909	-
Total gross insurance liabilities	979,300	696,024	939,069	669,375
Recoverable from reinsurers				
Claims outstanding	203,147	122,165	165,347	106,478
Unearned premiums	103,815	79,081	88,089	64,431
Total reinsurers' share of insurance liabilities	306,962	201,246	253,436	170,909
Net				
Claims outstanding	432,797	338,685	446,655	360,508
Unearned premiums	185,636	156,093	165,069	137,958
Life business provision	53,905	-	73,909	-
Total net insurance liabilities	672,338	494,778	685,633	498,466
Gross insurance liabilities				
Current	510,629	391,448	445,119	343,714
Non-current	468,671	304,576	493,950	325,661
Reinsurance assets				
Current	206,339	140,109	171,831	116,302
Non-current	100,623	61,137	81,605	54,607

*The comparative financial statements have been restated as detailed in note 40.

(a) General business insurance contracts**(i) Reserving methodology**

Reserving for non-life insurance claims is a complex process and the Group adopts recognised actuarial methods and, where appropriate, other calculations and statistical analysis. Actuarial methods used include the chain ladder, Bornhuetter-Ferguson and average cost methods.

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historical settlement patterns.

(ii) Calculation of uncertainty margins

To reflect the uncertain nature of the outcome of the ultimate settlement cost of claims, an uncertainty margin is added to the best estimate. The addition for uncertainty is assessed using actuarial methods including the Mack method and Bootstrapping techniques, based on at least the 75th percentile confidence level. For smaller reserving classes, where these methods cannot be applied, provisions are calculated at a level intended to provide an equivalent probability of sufficiency. Where the standard methods cannot allow for changing circumstances, additional uncertainty margins are added and are typically expressed as a percentage of outstanding claims. From time to time, management may elect to select an additional margin to reflect short-term uncertainty driven by specific events that are not in data. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years, as shown in part (c) of the note.

(iii) Calculation of provisions for latent claims

The Group adopts commonly used industry methods including those based on claims frequency and severity and benchmarking.

Notes to the financial statements

28 Insurance liabilities and reinsurance assets (continued)

(iv) Discounting

General insurance outstanding claims provisions have been discounted by applying currency and term specific discount rates in the following territories:

Geographical territory	Discount rate		Mean term of liabilities (years)	
	2022	Restated* 2021	2022	Restated* 2021
UK and Ireland	3.6% to 5.4%	-0.5% to 2.1%	7.5	8.2
Canada	4.5% to 5.2%	1.2% to 2.1%	4.3	4.5
Australia	3.8%	1.5%	3.9	4.7

*The comparative financial statements have been restated as detailed in note 40.

Parent consists of UK, Ireland and Canada. Group also includes Australia.

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect portfolio assets held. At the year end the undiscounted gross outstanding claims liability was £734,145,000 for the Group (2021 restated: £644,211,000), and £542,524,000 for the Parent (2021 restated: £496,881,000).

The impact of discount rate changes on the outstanding claims liability is presented within net investment return (note 8).

At 31 December 2022, it is estimated that a fall of 1% in the discount rates used would increase the Group's net outstanding claims liabilities by £16,444,000 (2021 restated: £25,056,000). Financial investments backing these liabilities are not hypothecated across general insurance classes of business. The sensitivity of Group profit or loss and other equity reserves to interest rate risk, taking into account the mitigating effect on asset values is provided in note 4(h).

(v) Assumptions

The Group follows a process of reviewing its reserves for outstanding claims on a regular basis. This involves an appraisal of each reserving class with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted is subject to an internal peer review and management sign-off process.

The most significant assumptions in determining the undiscounted general insurance reserves are the anticipated number and ultimate settlement cost of claims, and the extent to which reinsurers will share in the cost. Factors which influence decisions on assumptions include legal and judicial changes, significant weather events, other catastrophes, subsidence events, exceptional claims or substantial changes in claims experience and developments in older or latent claims. Significant factors influencing assumptions about reinsurance are the terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

(vi) Changes in assumptions

There are no significant changes in approach but we continue to evolve estimates in light of underlying experience.

(vii) Sensitivity of results

The ultimate amount of claims settlement is uncertain and the Group's aim is to reserve to at least the 75th percentile confidence level.

If final settlement of insurance claims reserved for at the year end turns out to be 10% higher or lower than the reserves included in these financial statements, the following pre-tax Group loss or profit will be realised:

		2022		2021	
		Gross £000	Net £000	Gross £000	Net £000
Liability	- UK	16,200	14,500	18,900	17,200
	- Overseas	19,900	15,200	18,000	13,700
Property	- UK	14,500	7,300	12,200	6,200
	- Overseas	11,500	3,300	9,000	3,100
Motor	- UK	100	100	100	100

Notes to the financial statements

28 Insurance liabilities and reinsurance assets (continued)

(viii) Claims development tables

The nature of liability classes of business is that claims may take a number of years to settle and before the final liability is known. The tables below show the development of the undiscounted estimate of ultimate gross and net claims cost for these classes across all territories.

Estimate of ultimate gross claims

Group	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	Total £000
At end of year	81,725	61,901	46,464	51,738	50,736	48,759	47,945	50,134	60,267	51,989	
One year later	80,027	50,571	43,582	46,073	46,885	40,461	42,467	42,044	58,774		
Two years later	69,860	48,327	40,337	41,041	41,883	34,680	39,859	41,655			
Three years later	66,192	45,495	33,804	38,468	38,648	33,362	41,600				
Four years later	60,174	37,064	29,436	37,044	40,177	34,355					
Five years later	56,912	34,606	28,211	34,649	39,801						
Six years later	54,901	34,962	31,738	35,261							
Seven years later	55,516	36,195	31,322								
Eight years later	55,252	37,091									
Nine years later	56,777										
Current estimate of ultimate claims	56,777	37,091	31,322	35,261	39,801	34,355	41,600	41,655	58,774	51,989	428,625
Cumulative payments to date	(48,759)	(29,819)	(21,970)	(23,914)	(21,679)	(15,699)	(14,187)	(9,642)	(4,832)	(1,402)	(191,903)
Outstanding liability	8,018	7,272	9,352	11,347	18,122	18,656	27,413	32,013	53,942	50,587	236,722
Effect of discounting											(37,571)
Present value											199,151
Discounted liability in respect of earlier years											151,714
Total discounted gross liability (for liability classes) included in insurance liabilities in the statement of financial position											350,865

Parent	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	Total £000
At end of year	71,798	52,350	34,769	37,981	34,210	32,992	33,719	35,690	43,976	37,393	
One year later	60,950	40,153	31,941	32,541	33,353	28,181	30,285	28,874	41,747		
Two years later	54,792	39,015	30,129	29,538	31,463	24,212	28,618	27,931			
Three years later	50,492	37,158	27,287	28,622	29,557	23,116	28,489				
Four years later	43,910	31,530	23,620	27,899	30,012	22,301					
Five years later	42,289	30,024	23,068	25,084	28,999						
Six years later	40,698	30,063	25,631	25,704							
Seven years later	40,041	30,505	25,128								
Eight years later	40,161	31,096									
Nine years later	40,509										
Current estimate of ultimate claims	40,509	31,096	25,128	25,704	28,999	22,301	28,489	27,931	41,747	37,393	309,297
Cumulative payments to date	(35,611)	(26,494)	(18,573)	(17,781)	(16,500)	(10,618)	(9,264)	(6,192)	(2,648)	(667)	(144,348)
Outstanding liability	4,898	4,602	6,555	7,923	12,499	11,683	19,225	21,739	39,099	36,726	164,949
Effect of discounting											(26,681)
Present value											138,268
Discounted liability in respect of earlier years											111,252
Total discounted gross liability (for liability classes) included in insurance liabilities in the statement of financial position											249,520

Notes to the financial statements

28 Insurance liabilities and reinsurance assets (continued)

Estimate of ultimate net claims

Group	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	Total £000
At end of year	76,729	59,633	42,739	47,402	45,920	44,053	44,230	45,459	47,289	47,559	
One year later	66,475	47,690	40,397	41,631	41,706	37,456	39,842	37,509	47,102		
Two years later	60,075	47,428	37,740	37,740	37,797	32,867	37,243	36,193			
Three years later	55,710	41,494	32,297	36,337	34,818	31,647	39,164				
Four years later	51,482	35,164	28,506	35,217	36,431	32,884					
Five years later	49,196	33,233	27,418	32,993	36,550						
Six years later	47,518	33,309	30,544	33,896							
Seven years later	47,443	34,245	30,296								
Eight years later	47,338	35,233									
Nine years later	48,374										
Current estimate of ultimate claims	48,374	35,233	30,296	33,896	36,550	32,884	39,164	36,193	47,102	47,559	387,251
Cumulative payments to date	(41,072)	(28,448)	(21,472)	(23,543)	(21,588)	(15,689)	(14,130)	(9,550)	(4,804)	(1,371)	(181,667)
Outstanding liability	7,302	6,785	8,824	10,353	14,962	17,195	25,034	26,643	42,298	46,188	205,584
Effect of discounting											(35,352)
Present value											170,232
Discounted liability in respect of earlier years											128,615
Total discounted net liability (for liability classes) included in insurance liabilities in the statement of financial position											298,847

Parent	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	Total £000
At end of year	67,690	50,025	33,122	35,882	33,134	31,981	32,688	33,502	33,792	35,458	
One year later	57,538	38,944	31,041	30,906	30,965	27,208	29,509	26,536	32,436		
Two years later	51,828	38,215	29,494	28,199	28,854	23,787	27,615	24,261			
Three years later	47,942	34,393	26,981	27,493	26,774	22,651	27,572				
Four years later	43,568	30,252	23,229	26,894	27,279	21,947					
Five years later	42,126	28,825	22,806	24,782	26,596						
Six years later	40,587	28,865	25,061	25,440							
Seven years later	39,930	29,268	24,614								
Eight years later	40,051	29,855									
Nine years later	40,401										
Current estimate of ultimate claims	40,401	29,855	24,614	25,440	26,596	21,947	27,572	24,261	32,436	35,458	288,580
Cumulative payments to date	(35,507)	(25,260)	(18,074)	(17,585)	(16,500)	(10,616)	(9,254)	(6,100)	(2,624)	(636)	(142,156)
Outstanding liability	4,894	4,595	6,540	7,855	10,096	11,331	18,318	18,161	29,812	34,822	146,424
Effect of discounting											(25,183)
Present value											121,241
Discounted liability in respect of earlier years											98,141
Total discounted net liability (for liability classes) included in insurance liabilities in the statement of financial position											219,382

Notes to the financial statements

28 Insurance liabilities and reinsurance assets (continued)

(b) Life insurance contracts

(i) Assumptions

The most significant assumptions in determining life reserves are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2022 and 2021 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

Investment returns

Projected investment returns for index-linked business are based on actual yields for each asset class less an allowance for credit risk, where appropriate. The risk adjusted yields after allowance for investment expenses for the current valuation are as follows:

	2022	2021
UK and overseas government bonds: non-linked	-	-
UK and overseas government bonds: index-linked	0.19%	-2.71%
Corporate debt instruments: index-linked	1.00%	-2.28%

The investment return assumption is determined by calculating an overall yield on all cash flows projected to occur from the portfolio of financial assets which are assumed to back the relevant class of liabilities. For index-linked assets, the real yield is shown gross of tax.

The investment return assumption for non-linked business is based on government bond returns at an average duration of cash flows for this business. The return after allowance for investment expenses is 3.79%.

Funeral plans renewal expense level and inflation

Numbers of policies in force and both projected and actual expenses have been considered when setting the base renewal expense level. The unit renewal expense assumption for in-force business is £21.58 per annum (2021: £2.60 per annum). Previously, as a result of the business being in run-off a separate fixed expense reserve was held. However, as the company has now reopened to new business the need for that separate expense reserve has fallen away and this is why the unit renewal expense assumption has increased significantly from the level used last year end.

Expense inflation is set with reference to the nominal and index-linked UK government bond rates of return and is assumed to be 4.30% per annum (2021: 4.69%).

Tax

It has been assumed that current tax legislation and rates enacted at 1 January 2023 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

(ii) Changes in assumptions

Projected investment returns have been revised in line with the changes in the actual yields of the underlying assets. As a result, liabilities have decreased by £19.3m (2021: £0.1m increase).

The assumed future expenses of running the business have been revised based on expenses that are expected to be incurred by the company. The effect on insurance liabilities of the changes to renewal expense assumptions (described above) was a £2.3m decrease (2021: £0.2m increase).

Notes to the financial statements

28 Insurance liabilities and reinsurance assets (continued)

(iii) Sensitivity analysis

The sensitivity of profit before tax to changes in the key assumptions used to calculate the life insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

Variable	Change in variable	Potential increase/(decrease) in the result	
		2022 £000	2021 £000
Deterioration in mortality	+10%	40	1,300
Improvement in mortality	-10%	(50)	(1,500)
Increase in fixed interest/cash yields	+1% pa	(400)	-
Decrease in fixed interest/cash yields	-1% pa	400	(400)
Worsening of base renewal expense level	+10%	(300)	(200)
Improvement in base renewal expense level	-10%	300	200
Increase in expense inflation	+1% pa	(200)	(600)
Decrease in expense inflation	-1% pa	200	500

(c) Movements in insurance liabilities and reinsurance assets

Group	Gross £000	Reinsurance £000	Net £000
Claims outstanding			
At 1 January 2022	612,002	(165,347)	446,655
Cash (paid)/received for claims settled in the year	(214,032)	93,072	(120,960)
Change in liabilities/reinsurance assets			
- arising from current year claims	284,744	(136,612)	148,132
- arising from prior year claims	(3,395)	105	(3,290)
- change in discount rate	(57,784)	10,188	(47,596)
Exchange differences	14,409	(4,553)	9,856
At 31 December 2022	635,944	(203,147)	432,797
Provision for unearned premiums			
At 1 January 2022	253,158	(88,089)	165,069
Increase in the period	289,404	(103,664)	185,740
Release in the period	(258,785)	89,550	(169,235)
Exchange differences	5,674	(1,612)	4,062
At 31 December 2022	289,451	(103,815)	185,636
Life business provision			
At 1 January 2022	73,909	-	73,909
Effect of claims during the year	(4,467)	-	(4,467)
Changes in assumptions	(4)	-	(4)
Changes in methodology	(2,310)	-	(2,310)
Change in discount rate	(19,260)	-	(19,260)
Other movements	6,038	-	6,038
At 31 December 2022	53,906	-	53,906
Total insurance contract liabilities and reinsurance assets	979,301	(306,962)	672,339

Notes to the financial statements

28 Insurance liabilities and reinsurance assets (continued)

Group	Gross £000	Restated* Reinsurance £000	Net £000
Claims outstanding			
At 1 January 2021	560,255	(129,157)	431,098
Cash (paid)/received for claims settled in the year	(191,685)	83,235	(108,450)
Change in liabilities/reinsurance assets			
- arising from current year claims	252,310	(114,378)	137,932
- arising from prior year claims	14,980	(9,444)	5,536
- change in discount rate	(16,520)	1,909	(14,611)
Exchange differences	(7,338)	2,488	(4,850)
At 31 December 2021	612,002	(165,347)	446,655
Provision for unearned premiums			
At 1 January 2021	230,800	(79,393)	151,407
Increase in the period	253,759	(88,464)	165,295
Release in the period	(229,255)	78,580	(150,675)
Exchange differences	(2,146)	1,188	(958)
At 31 December 2021	253,158	(88,089)	165,069
Life business provision			
At 1 January 2021	76,857	-	76,857
Effect of claims during the year	(5,577)	-	(5,577)
Changes in assumptions	2,493	-	2,493
Change in discount rate	147	-	147
Other movements	(11)	-	(11)
At 31 December 2021	73,909	-	73,909
Total insurance contract liabilities and reinsurance assets	939,069	(253,436)	685,633

Parent

Claims outstanding			
At 1 January 2022	466,986	(106,478)	360,508
Cash (paid)/received for claims settled in the year	(168,511)	56,101	(112,410)
Change in liabilities/reinsurance assets			
- arising from current year claims	208,107	(66,565)	141,542
- arising from prior year claims	(8,168)	(3,734)	(11,902)
- change in discount rate	(44,562)	-	(44,562)
Exchange differences	6,998	(1,489)	5,509
At 31 December 2022	460,850	(122,165)	338,685
Provision for unearned premiums			
At 1 January 2022	202,389	(64,431)	137,958
Increase in the period	235,432	(79,069)	156,363
Release in the period	(205,765)	64,843	(140,922)
Exchange differences	3,118	(424)	2,694
At 31 December 2022	235,174	(79,081)	156,093

*Restated**

Claims outstanding			
At 1 January 2021	433,846	(78,323)	355,523
Cash (paid)/received for claims settled in the year	(165,227)	57,340	(107,887)
Change in liabilities/reinsurance assets			
- arising from current year claims	221,277	(102,576)	118,701
- arising from prior year claims	(9,317)	16,370	7,053
- change in discount rate	(12,853)	886	(11,967)
Exchange differences	(740)	(175)	(915)
At 31 December 2021	466,986	(106,478)	360,508
Provision for unearned premiums			
At 1 January 2021	181,619	(56,066)	125,553
Increase in the period	202,191	(64,432)	137,759
Release in the period	(181,753)	56,049	(125,704)
Exchange differences	332	18	350
At 31 December 2021	202,389	(64,431)	137,958

*The comparative financial statements have been restated as detailed in note 40.

Notes to the financial statements

29 Provisions for other liabilities and contingent liabilities

Group	Regulatory and legal provisions £000	Other provisions £000	Total £000
At 1 January 2022	2,619	3,754	6,373
Additional provisions	1,783	44	1,827
Used during year	(1,825)	(1)	(1,826)
Not utilised	(157)	-	(157)
Disposal of business	-	(263)	(263)
Exchange differences	-	7	7
At 31 December 2022	2,420	3,541	5,961
Current	2,420	1,687	4,107
Non-current	-	1,854	1,854
Parent			
At 1 January 2022	2,619	3,449	6,068
Additional provisions	1,783	-	1,783
Used during year	(1,825)	(2)	(1,827)
Not utilised	(157)	-	(157)
Exchange differences	-	3	3
At 31 December 2022	2,420	3,450	5,870
Current	2,420	1,687	4,107
Non-current	-	1,763	1,763

Regulatory and legal provisions

The Group operates in the financial services industry and is subject to regulatory requirements in the normal course of business, including contributing towards any levies raised on UK general and life business. The provisions reflect an assessment by the Group of its share of the total potential levies.

In addition, from time to time, the Group receives complaints from customers and, while the majority relate to cases where there has been no customer detriment, we recognise that we have provided, and continue to provide, advice and services across a wide spectrum of regulated activities. We therefore believe that it is prudent to hold a provision for the estimated costs of customer complaints relating to services provided. The Group continues to reassess the ultimate level of complaints expected and the appropriateness of the provision, which reflects the expected redress and associated administration costs that would be payable in relation to any complaints we may uphold.

Dilapidations provisions

The provision for other costs relates to costs in respect of dilapidations. Dilapidations provisions are based on the Group's best estimate of future expense required to restoring a leased property to its original state on completion of the lease.

Notes to the financial statements

30 Deferred tax

An analysis and reconciliation of the movement of the key components of the net deferred tax liability during the current and prior reporting period is as follows:

Group	Unrealised gains on investments £000	Net retirement benefit assets £000	Equalisation reserve £000	Other differences £000	Total £000
At 1 January 2021 (as restated*)	31,558	(3,020)	789	(445)	28,882
Charged/(credited) to profit or loss	4,022	(383)	(789)	(8,383)	(5,533)
- Impact of change in deferred tax rate	8,584	632	-	(187)	9,029
Charged/(credited) to other comprehensive income	-	9,665	-	(178)	9,487
- Impact of change in deferred tax rate	-	(1,585)	-	66	(1,519)
Exchange differences	5	-	-	134	139
At 31 December 2021 (as restated*)	44,169	5,309	-	(8,993)	40,485
(Credited)/charged to profit or loss	(12,081)	(174)	-	3,182	(9,073)
Credited to other comprehensive income	-	(2,543)	-	(485)	(3,028)
Transfer on disposal of subsidiary	-	-	-	61	61
Exchange differences	(23)	-	-	(264)	(287)
At 31 December 2022	32,065	2,592	-	(6,499)	28,158

Parent	£000	£000	£000	£000	£000
At 1 January 2021 (as restated*)	30,560	(3,017)	789	349	28,681
Charged/(credited) to profit or loss	3,538	(383)	(789)	(948)	1,418
- Impact of change in deferred tax rate	8,202	632	-	(170)	8,664
Charged/(credited) to other comprehensive income	-	9,665	-	(179)	9,486
- Impact of change in deferred tax rate	-	(1,585)	-	66	(1,519)
Exchange differences	-	-	-	3	3
At 31 December 2021 (as restated*)	42,300	5,312	-	(879)	46,733
(Credited)/charged to profit or loss	(8,072)	(174)	-	406	(7,840)
Credited to other comprehensive income	-	(2,543)	-	(485)	(3,028)
Exchange differences	-	-	-	9	9
At 31 December 2022	34,228	2,595	-	(949)	35,874

*The comparative financial statements have been restated as detailed in note 40.

The equalisation reserve was previously required by law and maintained in compliance with insurance companies' regulations. Transfers to this reserve were deemed to be tax deductible under legislation that applied prior to 1 January 2016 and gave rise to deferred tax. With effect from the implementation date of Solvency II, 1 January 2016, these reserves become taxable over 6 years under the transition rules set out by HM Treasury.

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022		2021	
	Group £000	Parent £000	Group £000	Parent £000
Deferred tax liabilities	36,723	35,905	48,965	46,733
Deferred tax assets	(8,565)	(31)	(8,480)	-
	28,158	35,874	40,485	46,733

Included in the above are unused tax losses of £10,565,000 (2021: £10,565,000) arising from life business, which are available for offset against future tax profits and can be carried forward indefinitely.

Notes to the financial statements

31 Other liabilities and deferred income

	2022		2021	
	Group £000	Parent £000	Group £000	Parent £000
Creditors arising out of direct insurance operations	3,466	1,406	3,238	1,579
Creditors arising out of reinsurance operations	50,607	38,154	34,865	23,714
Derivative liabilities	3,234	3,234	331	331
Creditors arising from broking activities	-	-	5,370	-
Other creditors	17,808	14,602	23,843	12,114
Amounts owed to related parties	251	235	22	369
Accruals	26,077	22,758	29,678	21,551
	101,443	80,389	97,347	59,658
Current	100,831	80,389	96,791	59,658
Non-current	612	-	556	-

Derivative liabilities are in respect of equity futures contracts and are detailed in note 23.

Deferred income of the Group and Parent is a current liability in both the current and prior year.

Included within deferred income of the Group is Enil (2021: £407,000) classified as contract liabilities in accordance with IFRS 15.

32 Subordinated liabilities

Group and Parent

6.3144% EUR 30m subordinated debt

	2022 £000	2021 £000
6.3144% EUR 30m subordinated debt	25,818	24,433
	25,818	24,433

Subordinated debt consists of a privately-placed issue of 20-year subordinated bonds, maturing in February 2041 and callable after February 2031. The Group's subordinated debt ranks below its senior debt and ahead of its preference shares and ordinary share capital.

Subordinated debt is stated at amortised cost.

33 Investment contract liabilities

Group

Investment contract liabilities

	2022 £000	2021 £000
Investment contract liabilities	58,479	15,519
	58,479	15,519

Investment contract liabilities represents amounts due to policyholders and, if applicable, the cost of the minimum repayment guarantee.

Investment contract liabilities are repayable on demand or at short notice and therefore classified as current. These liabilities are matched with highly liquid investments.

Notes to the financial statements

34 Leases

Group as a lessee

The Group has lease contracts for various items of property, motor vehicles and other equipment used in its operations. Leases of property generally have terms of up to 15 years, while motor vehicles and other equipment generally have lease terms between 2 and 6 years. Lease terms are negotiated on an individual basis and contain different terms and conditions, but do not impose any covenants other than security interests. The Group's obligations under its leases are secured by the lessor's title to the leased assets, and leased assets may not be used as security for borrowing purposes.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

Group	Land and buildings £000	Motor vehicles £000	Other equipment £000	Total £000
At 1 January 2022	21,588	1,010	162	22,760
Additions	359	330	82	771
Disposals	(1,286)	(172)	(18)	(1,476)
Depreciation expense	(2,879)	(196)	(118)	(3,193)
Exchange differences	162	1	4	167
At 31 December 2022	17,944	973	112	19,029
At 1 January 2021	24,231	1,068	189	25,488
Additions	189	448	109	746
Disposals	-	(268)	(21)	(289)
Depreciation expense	(2,812)	(236)	(114)	(3,162)
Exchange differences	(20)	(2)	(1)	(23)
At 31 December 2021	21,588	1,010	162	22,760

Parent	Land and buildings £000	Motor vehicles £000	Other equipment £000	Total £000
At 1 January 2022	19,669	987	125	20,781
Additions	96	330	80	506
Disposals	-	(172)	-	(172)
Depreciation expense	(2,278)	(180)	(97)	(2,555)
Exchange differences	136	-	4	140
At 31 December 2022	17,623	965	112	18,700
At 1 January 2021	21,738	993	131	22,862
Additions	121	448	109	678
Disposals	-	(235)	(20)	(255)
Depreciation expense	(2,217)	(219)	(94)	(2,530)
Exchange differences	27	-	(1)	26
At 31 December 2021	19,669	987	125	20,781

Set out below are the carrying amounts of lease obligations:

	2022		2021	
	Group £000	Parent £000	Group £000	Parent £000
Current	2,446	2,438	3,402	2,691
Non-current	16,616	16,274	19,336	18,115
	19,062	18,712	22,738	20,806

Notes to the financial statements

34 Leases (continued)

Group profit for the year has been arrived at after charging the following amounts in respect of lease contracts:

	2022 £000	2021 £000
Depreciation expense of right-of-use assets	3,193	3,162
Interest expense on lease liabilities	884	974
Expenses relating to short-term leases	16	23
	4,093	4,159

The Group had total cash outflows for leases, including interest paid, of £3,991,000 (2021: £4,206,000). The Parent had total cash outflows for leases, including interest paid, of £3,399,000 (2021: £3,406,000). The future cash outflows relating to leases that have not yet commenced are disclosed in note 35.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised, as disclosed in note 2.

Group as a lessor

Finance leases

The Group had a finance leasing arrangement as a lessor to sublease a commercial office space no longer occupied by the Group. The finance lease contract expired during 2022.

	2022		2021	
	Group £000	Parent £000	Group £000	Parent £000
Year 1	-	-	111	111
Undiscounted lease payments	-	-	111	111
Less: unearned finance income	-	-	-	-
Net investment in the lease	-	-	111	111

Net investment in the lease is recognised in other assets as shown in note 24.

Group profit for the year has been arrived at after crediting the following amounts in respect of finance lease contracts:

	2022 £000	2021 £000
Finance income on the net investment in finance leases	1	4
	1	4

Operating leases

The Group has entered into operating leases on its investment property portfolio. These leases have terms of up to 50 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income on these properties recognised by the Group during the year is disclosed in note 21.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2022		2021	
	Group £000	Parent £000	Group £000	Parent £000
Year 1	8,110	8,110	7,866	7,866
Year 2	7,734	7,734	7,604	7,604
Year 3	6,532	6,532	7,165	7,165
Year 4	5,244	5,244	6,014	6,014
Year 5	4,748	4,748	4,883	4,883
After 5 years	16,554	16,554	20,217	20,217
	48,922	48,922	53,749	53,749

Notes to the financial statements

35 Commitments

At the year end, the Group had capital commitments of £76,064 (2021: £nil) relating to development costs.

The Group has lease contracts for right-of-use assets that had not commenced at 31 December 2022. These leases will commence in 2023. Leases for land and buildings have a term of 10 years with expected cash outflow of £274,674 per annum. Leases for motor vehicles have a term of 4 years with expected cash outflow of £20,580 per annum.

36 Related undertakings

Ultimate parent company and controlling party

The Company is a wholly-owned subsidiary of Benefact Group plc. Its ultimate parent and controlling company is Benefact Trust Limited. Both companies are incorporated in England and Wales and copies of their financial statements are available from the registered office as shown in the Other Information section of this Annual Report and Accounts. The parent companies of the smallest and largest groups for which group financial statements are drawn up are Ecclesiastical Insurance Office plc and Benefact Trust Limited, respectively.

Related undertakings

The Company's interest in related undertakings at 31 December 2022 is as follows:

Company	Company Registration Number	Share Capital	2022		2021		Activity
			Holding of shares by Company	Group	Holding of shares by Company	Group	
Subsidiary undertakings							
Incorporated in the United Kingdom							
Ecclesiastical Financial Advisory Services Limited ¹⁴	2046087	Ordinary	100%	-	100%	-	Independent financial advice
Ecclesiastical Group Healthcare Trustees Limited ¹⁴	10988127	Ordinary	100%	-	100%	-	Trustee company
Ecclesiastical Life Limited ¹	0243111	Ordinary	100%	-	100%	-	Life insurance
EdenTree Investment Management Limited ¹	2519319	Ordinary	100%	-	100%	-	Investment management
E.I.O. Trustees Limited ¹⁵	0941199	Ordinary	100%	-	100%	-	Trustee company
SEIB Insurance Brokers Limited ³	6317314	Ordinary	-	-	-	100%	Insurance agents and brokers
South Essex Insurance Holdings Limited ³	6317313	Ordinary	-	-	100%	-	Investment holding company
Incorporated in Australia							
Ansvar Insurance Limited ²	007216506	Ordinary	100%	-	100%	-	Insurance
Ansvar Insurance Services Pty Limited ²⁵	162612286	Ordinary	-	100%	-	100%	Dormant company
Ansvar Risk Management Services Pty Limited ²	623695054	Ordinary	-	100%	-	100%	Risk management services

¹ Registered office: Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom

² Registered office: Level 5, 1 Southbank Boulevard, Melbourne, VIC 3006, Australia

³ On 30 December 2022, Ecclesiastical disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary SEIB Insurance Brokers Limited (together 'SEIB') to an associate of the Benefact Group

⁴ Exempt from audit under s479 of the Companies Act 2006

⁵ Exempt from audit under s480 of the Companies Act 2006

Notes to the financial statements

37 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in the Group analysis, but are included within the Parent analysis below.

Benefact Group plc is the Group and Parent's immediate parent company. Other related parties, of both Group and Parent, include subsidiary undertakings of Benefact Group plc, the ultimate parent undertaking and the Group's pension plans.

	Benefact Group plc £000	Subsidiaries £000	Other related parties £000
2022			
Group			
Trading, investment and other income, including recharges, and amounts received	1,749	-	64,916
Trading, investment and other expenditure, including recharges, and amounts paid	55,300	-	11,342
Amounts owed by related parties*	121,670	-	4,385
Amounts owed to related parties**	-	-	101,661
Parent			
Trading, investment and other income, including recharges, and amounts received	1,749	26,341	9,259
Trading, investment and other expenditure, including recharges, and amounts paid	55,300	16,310	3,177
Amounts owed by related parties	121,670	6,129	3,563
Amounts owed to related parties	-	234	-

2021

Group (restated)

Trading, investment and other income, including recharges, and amounts received	531	-	14,188
Trading, investment and other expenditure, including recharges, and amounts paid	15,625	-	5,706
Amounts owed by related parties	66,254	-	2,646
Amounts owed to related parties***	-	-	79,219

Parent

Trading, investment and other income, including recharges, and amounts received	531	17,700	960
Trading, investment and other expenditure, including recharges, and amounts paid	15,625	25,971	1,438
Amounts owed by related parties	66,254	12,278	2,156
Amounts owed to related parties	-	9,458	10

*Includes a loan of £121.0m (2021: £66.1m).

**The insurance liabilities include an element of fixed expense reserves which are not due to a related party.

***Amounts owed to related parties of the Group in the prior year have been restated from £53,924,000, to better reflect the fair value of funeral plan liabilities.

On 30 December 2022, Ecclesiastical disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary SEIB Insurance Brokers Limited (together 'SEIB') to an associate of the Benefact Group for £45.2m, recognising a gain after tax of £14.3m, as detailed in note 16.

Amounts owed by other related parties to the Group and Parent include £1.2m due from an associate for the Benefact Group, relating to the disposal of SEIB.

During the year, the Company received premiums, commission and reinsurance recoveries via a related party insurance agency amounting to £11,000 (2021: £147,000) and paid reinsurance protection, commission and claims amounting to £16,000 (2021: £136,000).

Trading, investment and other expenditure, including recharges, and amounts paid in the current year includes loans totalling £54.9m (2021: £24.9m), general business claims of £7.7m (2021: £11.2m) and acquisition of shares totalling £13.0m (2021: £nil).

Trading, investment and other income, including recharges, and amounts received in the current year includes general business premiums totalling £4.9m (2021: £13.0m) and deposits received for life business totalling £35.0m (2021: £11.8m).

Amounts owed to related parties by the Group and by the Parent include insurance liabilities which are included in note 28. Amounts owed to related parties by the Group also includes investment contract liabilities which are included in note 33.

Notes to the financial statements

37 Related party transactions (continued)

Transactions and services within the Group are made on commercial terms. With the exception of some insurance liabilities, amounts outstanding between Group companies are unsecured, are not subject to guarantees, and will be settled in cash. No provisions have been made in respect of these balances.

The total aggregate remuneration of the directors of the Company in respect of qualifying services during 2022 was £2,838,000 (2021: £2,801,000). After inclusion of amounts receivable under long-term incentive schemes and pension benefits, the total aggregate emoluments of the directors was £3,496,000 (2021: £3,564,000). The key management personnel is defined as the Group Management Board (Ecclesiastical's leadership team), Executive and Non-executive directors. The remuneration is shown below.

Key management personnel

Wages and salaries
Social security costs
Pension costs - defined contribution plans
Fees and benefits for non-executive directors

2022		2021	
Group	Parent	Group	Parent
£000	£000	£000	£000
5,411	5,411	6,221	6,221
750	750	566	566
308	308	303	303
625	625	602	602
7,094	7,094	7,692	7,692

Charitable grants paid to the Group's ultimate Parent undertaking are disclosed in note 15. Contributions paid to and amounts received from the Group's defined benefits schemes are disclosed in note 19.

38 Reconciliation of Alternative Performance Measures

The Group uses alternative performance measures (APM) in addition to the figures which are prepared in accordance with IFRS. The financial measures included in our key performance indicators are set out in the Key Performance Indicators section of the Strategic Report within this Annual Report and Accounts: regulatory capital, combined operating ratio (COR) and net expense ratio (NER) are APM. These measures are commonly used in the industries the Group operates in and are considered to provide useful information and enhance the understanding of the results.

Users of the accounts should be aware that similarly titled APM reported by other companies may be calculated differently. For that reason, the comparability of APM across companies might be limited.

Notes to the financial statements

The table below provides a reconciliation of the COR and NER to its most directly reconcilable line item in the financial statements. Regulatory capital does not have an IFRS equivalent and is covered in more detail in note 4(i).

Group	2022						Total
	Insurance		Inv'mnt return	Inv'mnt mngt	Broking and Advisory	Corporate costs	
	General	Life					
	£000	£000	£000	£000	£000	£000	£000
Revenue							
Gross written premiums	558,544	7	-	-	-	-	558,551
Outward reinsurance premiums	(238,069)	-	-	-	-	-	(238,069)
Net change in provision for unearned premiums	(16,505)	-	-	-	-	-	(16,505)
Net earned premiums	303,970	7	-	-	-	-	303,977
Fee and commission income	63,533	-	-	-	-	-	63,533
Other operating income	2,020	-	-	-	-	-	2,020
Net investment return	-	8,523	(4,465)	-	-	-	4,058
Total revenue	369,523	8,530	(4,465)	-	-	-	373,588
Expenses							
Claims and change in insurance liabilities	(281,349)	(4,331)	-	-	-	-	(285,680)
Reinsurance recoveries	136,507	-	-	-	-	-	136,507
Fees, commissions and other acquisition costs	(108,581)	(115)	-	-	-	-	(108,696)
Other operating and administrative expenses	(88,681)	(532)	(3,080)	-	-	(25,743)	(118,036)
Total operating expenses	(342,104)	(4,978)	(3,080)	-	-	(25,743)	(375,905)
Operating profit/(loss)	27,419	3,552	(7,545)	-	-	(25,743)	(2,317)
Finance costs	(2,456)	-	-	-	-	-	(2,456)
Profit/(loss) before tax from continuing operations	24,963	3,552	(7,545)	-	-	(25,743)	(4,773)
(Loss)/profit before tax attributable to discontinued operations	-	-	-	(2,907)	17,022	-	14,115
Profit/(loss) before tax for the year	24,963	3,552	(7,545)	(2,907)	17,022	(25,743)	9,342
Underwriting profit	27,419						
Combined operating ratio	91.0%						
Net expenses (= [2] + [3] + [4] + [5])	(159,472)						
Net expense ratio	52.5%						

The underwriting profit of the Group is defined as the operating profit of the general insurance business.

The Group uses the industry standard net COR as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. It is calculated as $([1] - [6]) / [1]$.

The NER expresses total underwriting and corporate expenses as a proportion of net earned premiums. It is calculated as $- [7] / [1]$.

Notes to the financial statements

38 Reconciliation of Alternative Performance Measures (continued)

Group	Restated* 2021						
	Insurance		Inv'mnt return	Inv'mnt mngt	Broking and Advisory	Corporate costs	Total
	General	Life					
	£000	£000	£000	£000	£000	£000	£000
Revenue							
Gross written premiums	486,220	(9)	-	-	-	-	486,211
Outward reinsurance premiums	(198,601)	-	-	-	-	-	(198,601)
Net change in provision for unearned premiums	(14,620)	-	-	-	-	-	(14,620)
Net earned premiums	[1] 272,999	(9)	-	-	-	-	272,990
<hr/>							
Fee and commission income	[2] 55,417	-	-	-	-	-	55,417
Other operating income	1,136	-	-	-	-	-	1,136
Net investment return	-	3,939	98,958	-	-	-	102,897
Total revenue	329,552	3,930	98,958	-	-	-	432,440
<hr/>							
Expenses							
Claims and change in insurance liabilities	(267,291)	(2,342)	-	-	-	-	(269,633)
Reinsurance recoveries	123,822	-	-	-	-	-	123,822
Fees, commissions and other acquisition costs	[3] (95,628)	(21)	-	-	-	-	(95,649)
Other operating and administrative expenses	[4] (81,696)	(450)	(3,234)	-	-	[5] (24,134)	(109,514)
Total operating expenses	(320,793)	(2,813)	(3,234)	-	-	(24,134)	(350,974)
<hr/>							
Operating profit/(loss)	[6] 8,759	1,117	95,724	-	-	(24,134)	81,466
Finance costs	(2,288)	-	-	-	-	-	(2,288)
Profit/(loss) before tax from continuing operations	6,471	1,117	95,724	-	-	(24,134)	79,178
(Loss)/profit before tax attributable to discontinued operations	-	-	-	(2,525)	2,984	-	459
Profit/(loss) before tax for the year	6,471	1,117	95,724	(2,525)	2,984	(24,134)	79,637
<hr/>							
Underwriting profit	[6] 8,759						
Combined operating ratio		96.8%					
Net expenses (= [2] + [3] + [4] + [5])	[7] (146,041)						
Net expense ratio		53.5%					

*The comparative financial statements have been restated as detailed in note 40.

39 Events after the balance sheet date

On 3 January 2023, the shares of EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited were distributed to the Group's immediate parent company, Benefact Group plc. Discontinued operations are disclosed separately in note 16.

Notes to the financial statements

40 Prior year restatement

The Group's accounting policy for general insurance outstanding claims provisions has previously been to apply discounting only to certain longer term liabilities. The accounting policy has been changed to include discounting of the general insurance liabilities that have not previously been discounted. This change in accounting policy resulted in a credit of £13.2m recognised in this financial year and a credit of £2.6m in the prior year, both within net investment return.

Under IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, a retrospective restatement of the prior period results is required. The effects of the restatement are detailed in this note, and included throughout the financial statement comparatives, where appropriate. As a result of the restatement, as at 1 January 2021 the Group recognised an increase in retained earnings of £0.5m.

The prior year has also been re-presented for discontinued operations as detailed in note 16 to the financial statements.

The Group considers that this change in accounting policy provides more reliable and relevant information. This is because, if the impact of discounting were not more widely applied during a period of higher interest rates (as in 2022), it would create excessive prudence in the implied claim reserves. Furthermore, this change to accounting policy better reflects the impact of the Group's objective of matching assets with insurance liabilities when managing exposure to interest rate risk.

Group	As reported 2021 £000	Re-presented 2021 £000	Restatement £000	As restated 2021 £000
Revenue				
Gross written premiums	486,211	-	-	486,211
Outward reinsurance premiums	(198,601)	-	-	(198,601)
Net change in provision for unearned premiums	(14,620)	-	-	(14,620)
Net earned premiums	272,990	-	-	272,990
Fee and commission income	81,547	(26,130)	-	55,417
Other operating income	1,136	-	-	1,136
Net investment return	101,067	(770)	2,600	102,897
Total revenue	456,740	(26,900)	2,600	432,440
Expenses				
Claims and change in insurance liabilities	(269,633)	-	-	(269,633)
Reinsurance recoveries	123,822	-	-	123,822
Fees, commissions and other acquisition costs	(95,896)	247	-	(95,649)
Other operating and administrative expenses	(135,632)	26,118	-	(109,514)
Total operating expenses	(377,339)	26,365	-	(350,974)
Operating profit	79,401	(535)	2,600	81,466
Finance costs	(2,364)	76	-	(2,288)
Profit before tax	77,037	(459)	2,600	79,178
Tax expense	(17,648)	121	(494)	(18,021)
Profit for the year from continuing operations	59,389	(338)	2,106	61,157
Net profit attributable to discontinued operations	-	338	-	338
Profit for the year (attributable to equity holders of the Parent)	59,389	-	2,106	61,495

Notes to the financial statements

40 Prior year restatement (continued)

	Group			
	As reported	Restatement	As restated	As restated
	31 December		31 December	1 January
	2021		2021	2021
	£000	£000	£000	£000
Assets				
Goodwill and other intangible assets	52,512	-	52,512	54,353
Deferred acquisition costs	46,027	-	46,027	41,989
Deferred tax assets	8,480	-	8,480	1,078
Pension surplus	28,304	-	28,304	1,053
Property, plant and equipment	35,245	-	35,245	38,316
Investment property	163,355	-	163,355	142,142
Financial investments	883,770	-	883,770	820,777
Reinsurers' share of contract liabilities	254,449	(1,013)	253,436	208,677
Current tax recoverable	5	-	5	7,986
Other assets	240,910	-	240,910	216,570
Cash and cash equivalents	114,036	-	114,036	104,429
Total assets	1,827,093	(1,013)	1,826,080	1,637,370
Equity				
Share capital	120,477	-	120,477	120,477
Share premium account	4,632	-	4,632	4,632
Retained earnings and other reserves	507,252	2,600	509,852	444,613
Total shareholders' equity	632,361	2,600	634,961	569,722
Liabilities				
Insurance contract liabilities	943,292	(4,223)	939,069	868,155
Investment contract liabilities	15,519	-	15,519	-
Lease obligations	22,738	-	22,738	25,450
Provisions for other liabilities	6,373	-	6,373	6,499
Retirement benefit obligations	7,058	-	7,058	6,530
Deferred tax liabilities	48,355	610	48,965	29,846
Current tax liabilities	1,232	-	1,232	1,293
Deferred income	28,385	-	28,385	25,908
Subordinated liabilities	24,433	-	24,433	-
Other liabilities	97,347	-	97,347	93,561
Total liabilities	1,194,732	(3,613)	1,191,119	1,067,648
Total shareholders' equity and liabilities	1,827,093	(1,013)	1,826,080	1,637,370

Notes to the financial statements

40 Prior year restatement (continued)

	Parent			
	As reported	Restatement	As restated	As restated
	31 December		31 December	1 January
	2021		2021	2021
	£000	£000	£000	£000
Assets				
Goodwill and other intangible assets	27,501	-	27,501	24,265
Deferred acquisition costs	36,740	-	36,740	33,472
Pension surplus	28,304	-	28,304	1,053
Property, plant and equipment	32,771	-	32,771	34,726
Investment property	162,822	-	162,822	142,142
Financial investments	707,106	-	707,106	650,787
Reinsurers' share of contract liabilities	171,922	(1,013)	170,909	134,516
Current tax recoverable	5	-	5	5,497
Other assets	194,808	-	194,808	161,114
Cash and cash equivalents	48,437	-	48,437	59,466
Total assets	1,410,416	(1,013)	1,409,403	1,247,038
Equity				
Share capital	120,477	-	120,477	120,477
Share premium account	4,632	-	4,632	4,632
Retained earnings and other reserves	424,793	2,600	427,393	356,805
Total shareholders' equity	549,902	2,600	552,502	481,914
Liabilities				
Insurance contract liabilities	673,598	(4,223)	669,375	615,708
Lease obligations	20,806	-	20,806	22,838
Provisions for other liabilities	6,068	-	6,068	5,842
Retirement benefit obligations	7,058	-	7,058	6,530
Deferred tax liabilities	46,123	610	46,733	28,562
Current tax liabilities	819	-	819	1,293
Deferred income	21,951	-	21,951	18,858
Subordinated liabilities	24,433	-	24,433	-
Other liabilities	59,658	-	59,658	55,087
Total liabilities	860,514	(3,613)	856,901	765,124
Total shareholders' equity and liabilities	1,410,416	(1,013)	1,409,403	1,247,038

Notes to the financial statements

40 Prior year restatement (continued)

	Group			Parent		
	As reported 31 December 2021 £000	Restatement £000	As restated 31 December 2021 £000	As reported 31 December 2021 £000	Restatement £000	As restated 31 December 2021 £000
Profit before tax from continuing operations	77,037	2,141	79,178	87,719	2,600	90,319
Profit before tax from discontinued operations	-	459	459	-	-	-
<i>Adjustments for:</i>						
Depreciation of property, plant and equipment	6,155	-	6,155	5,285	-	5,285
Loss on disposal of property, plant and equipment	24	-	24	11	-	11
Amortisation and impairment of intangible assets	856	-	856	622	-	622
Loss on disposal of intangible assets	4,765	-	4,765	87	-	87
Profit on disposal of subsidiary	-	-	-	(5)	-	(5)
Net fair value gains on financial instruments and investment property	(58,340)	-	(58,340)	(58,384)	-	(58,384)
Dividend and interest income	(21,802)	-	(21,802)	(18,822)	-	(18,822)
Finance costs	2,364	-	2,364	2,276	-	2,276
Adjustment for pension funding	1,646	-	1,646	1,646	-	1,646
Changes in operating assets and liabilities:						
Net increase in insurance contract liabilities	83,952	(2,600)	81,352	57,439	(2,600)	54,839
Net increase in investment contract liabilities	15,519	-	15,519	-	-	-
Net increase in reinsurers' share of contract	(49,513)	-	(49,513)	(37,260)	-	(37,260)
Net increase in deferred acquisition costs	(4,376)	-	(4,376)	(3,169)	-	(3,169)
Net increase in other assets	(25,891)	-	(25,891)	(33,049)	-	(33,049)
Net increase in operating liabilities	8,472	-	8,472	8,544	-	8,544
Net (decrease)/increase in other liabilities	(234)	-	(234)	114	-	114
Cash generated by operations	40,634	-	40,634	13,054	-	13,054
Purchases of financial instruments and investment property	(186,514)	-	(186,514)	(117,611)	-	(117,611)
Sale of financial instruments and investment property	157,614	-	157,614	103,706	-	103,706
Dividends received	7,427	-	7,427	9,547	-	9,547
Interest received	14,068	-	14,068	8,830	-	8,830
Tax paid	(3,142)	-	(3,142)	(4,912)	-	(4,912)
Net cash from operating activities	30,087	-	30,087	12,614	-	12,614
Cash flows from investing activities						
Purchases of property, plant and equipment	(3,634)	-	(3,634)	(3,451)	-	(3,451)
Proceeds from the sale of property, plant and equipment	48	-	48	19	-	19
Purchases of intangible assets	(3,914)	-	(3,914)	(3,914)	-	(3,914)
Disposal of subsidiary, net of cash disposed	-	-	-	5	-	5
Net cash used by investing activities	(7,500)	-	(7,500)	(7,341)	-	(7,341)
Cash flows from financing activities						
Interest paid	(2,364)	-	(2,364)	(2,276)	-	(2,276)
Payment of lease liabilities	(3,209)	-	(3,209)	(2,512)	-	(2,512)
Change in interest in subsidiary	-	-	-	(5,406)	-	(5,406)
Proceeds from issue of subordinate debt, net of expenses	25,014	-	25,014	25,014	-	25,014
Dividends paid to Company's shareholders	(9,181)	-	(9,181)	(9,181)	-	(9,181)
Charitable grant paid to ultimate parent undertaking	(21,000)	-	(21,000)	(21,000)	-	(21,000)
Net cash used by financing activities	(10,740)	-	(10,740)	(15,361)	-	(15,361)
Net increase/(decrease) in cash and cash equivalents at beginning of year	11,847	-	11,847	(10,088)	-	(10,088)
Cash and cash equivalents at end of year	104,429	-	104,429	59,466	-	59,466
Exchange losses on cash and cash equivalents	(2,240)	-	(2,240)	(941)	-	(941)
Cash and cash equivalents at end of year	114,036	-	114,036	48,437	-	48,437

Section Four

Other Information

Directors, executive management and company information 165

Notice of meeting 165

Directors, executive management and Company information (unaudited)

Directors	¹ R. D. C. Henderson FCA <i>Chair</i> ¹ R. Bajaj MA ¹ F. X. Boisseau MSc D. P. Cockrem, MA, FCA Group Chief Financial Officer M. C. J. Hews BSc (Hons), FIA Group Chief Executive ¹ Sir S. M. J. Lamport GCVO, DL ¹ N. P. Maidment MA, FCII ¹ A. J. McIntyre MA, ACA, FRCO ¹ C. J. G. Moulder MA, FCA Senior Independent Director S. J. Whyte MC Inst. M, ACII Deputy Group Chief Executive ¹ A. Winther BA
Company Secretary	Mrs R. J. Hall FCG
Registered and Head Office	Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW Tel: 0345 777 3322
Company Registration Number	00024869
Registrar	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS13 8AE
	¹ Non-Executive Directors

Notice of meeting (unaudited)

NOTICE is hereby given that the Annual General Meeting of Ecclesiastical Insurance Office plc will be held at The Belfry, Lichfield Road, Wishaw, Sutton Coldfield, B76 9PR on Thursday, 22nd June 2023 at 12.35pm for the following purposes:

Ordinary business (unaudited)

- To receive the Report of the Directors and Accounts for the year ended 31st December 2022 and the report of the auditors thereon.
- To re-elect Mrs R. Bajaj as a Director.¹
- To re-elect Mr F. X. Boisseau as a Director.¹
- To re-elect Mrs D. Cockrem as a Director.¹
- To re-elect Mr R. D. C. Henderson as a Director.¹
- To re-elect Mr M. C. J. Hews as a Director.¹
- To re-elect Sir S. Lamport as a Director.¹
- To re-elect Mr N. Maidment as a Director.¹
- To re-elect Mr C. J. G. Moulder as a Director.¹
- To re-elect Mrs S. J. Whyte as a Director.¹
- To re-elect Mr A. Winther as a Director.¹
- To consider the declaration of a dividend.
- To re-appoint PricewaterhouseCoopers LLP as auditors and authorise the Directors to fix their remuneration.

By order of the Board

Mrs R J Hall, Secretary
16 March 2023

¹ Brief biographies of the Directors seeking election or re-election are shown in the Board of Directors area of the Governance section within this Annual Report and Accounts. All Non-Executive Directors seeking re-election have been subject to formal performance evaluation by the Chair who is satisfied that the performance of each Non-Executive Director is effective and sufficient time has been spent on the Company's affairs.

Only a member holding ordinary shares, or their duly appointed representative(s), is entitled to attend, vote and speak at the annual general meeting.

A member holding ordinary shares is entitled to appoint a proxy or proxies (who need not be a member of the Company) to exercise all or any of their rights to attend, speak and vote on their behalf at the annual general meeting. Such a member may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.

Any corporation which is a member holding ordinary shares can appoint one or more corporate representatives who may exercise, on its behalf, all of the same powers as that corporation could exercise if it were an individual member, provided that they do not do so in relation to the same share or shares and that they act within the powers of their appointment.

This notice is sent purely for information to the holders of 8.625% Non-Cumulative Irredeemable Preference shares who are not entitled to attend and vote at the annual general meeting.

[illegible][illegible]



Proudly part of the Benefact
Group - specialist financial
services companies built to
make a difference

Annual Report & Accounts 2022

Ecclesiastical Insurance Office plc (EIO)
Benefact House
2000 Pioneer Avenue
Gloucester Business Park
Brockworth
Gloucester
GL3 4AW

Ecclesiastical Insurance Office plc (EIO) Reg. No. 24869. Registered in England at Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom.
EIO is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Reference Number 113848